

25 Page 21 9,000 East 20 Quality 20 Gentle 20

# **EUROPE'S BUSINESS NEWSPAPER** FINANCIAI. TIM

**CHINA** 

Tianenmen Square one year on

**Grand Jury** 

to examine

link between

Iraqi banker

By Alan Friedman in New York and Lionel Barber in

A SENIOR director of the

A SKNIOK director of the central bank of Iraq is being investigated by a US Grand Jury in Atlanta in connection with possible bank fraud, kickbacks and money laundering charges stemming from last year's scandal over \$3bn of improve leave made to Iraq by

improper loans made to Iraq by the Atlanta branch of Banca Nazionale del Lavoro (BNL).

The Grand Jury, which has

yet to bring indictments in the BNL case, has heard testimony

claiming that Mr Sadik Taha, a Baghdad-based director general

of the central bank in charge of

loans, played a key role in the BNL affair.

The US State Department, however, is understood to be worried about the implications

of bringing any indictment against an Iraqi government official and may seek to stop the Grand Jury from bringing

The Grand Jury has heard from witnesses who were directly involved in the BNL affair. Their testimony coupled

with evidence gathered by investigators in Washington

and Rome have established

criminal charges.

and BNL

Washington

No. 31,164 FINANCIAL TIMES LIMITED 1990

Monday June 4 1990

D 8523A

# orld News ach crash

# lls British urists

and 22 seriously hurt ) a tyre on their dou-ecker coach blew out and it careening off a motorat Joigny, south of Paris.

# king crackdown

e and troops patrolled ng snuffing out isolated ests on the anniversary st year's bloody military kdown. In Hong Kong at 100,000 people marched leve for the dead of Tian-en Square Page 18 en Square. Page 16

### iter assurance Republican Army mur-

of two British soldiers two Australian lawyers aken for off-duty service-will have no effect on ress towards talks about hern ireland's future, UK rnment spokesman said. 9: IRA shift, Page 6 irnalist freed

### Indian army, which had rst denied any involve-t, freed Rashmiri journal-

usuf Jameel after holding for nearly 30 hours. n olive branch Prime Minister Margaret tcher said Iran had offered olive branch" over the

# hdie affair and raised the ibility of restoring diplo-ic relations. Page 9

ird World plea en developing nations d.1 three-day summit in la Lumpur with calls for money to help Third
 d nations repay debts.

# **Igarian mystery**

tarian army officers called ne resignation of Defence ister Dobri Diurov after fricer shot an opposition .!-t. latest in a series of terious pre-election deaths.

### ndela's mission on Mandela begins his extensive foreign tour : travelling through u. Europe and America.

:g suffers stroke d's oldest relgning mon-was struggling for his riter a stroke.

### tion on forests til's government, under sure to save the dwindling aren rain forest, will use rmed forces to combat illeourning and logging.

jerian miners die ash flood inside a zinc and mine at Ain Azel in east-Algeria killed at least 19

### ers 1.050ft below ground. clear ban sought

N delegation seeking a lear-free zone in the Middle began a two-day visit to it reportedly the only atry in the region with nic weapons.

# erians flee

es and children of Liberian iers fled Monrovia and resi-: complained of food short- and rising crime as the awaited a rebel attack ed at overthrowing Presi-: Samuel Doe.

### e party is over Social Democrat Party,

whed in 1981 to "break the ild" of British politics, is e disbanded. Its leader id Owen, said: "This is a day." Page 9

# eek visitor

ne Munister Constantine sotakis left for the first offivisit to the US by a Greek mer in 26 years.

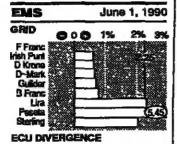
ench derby winner lid Abdullah's Sanglamore, and by Roger Charlton in sland and ridden by Irish icy Pat Eddery won the du Jockey Club (the meh Derhy) at Chantilly.

# reopened by two judges in New York

Two New York judges, concerned with the slow pace of compensation to asbestos victims, have reopened pro-ceedings under which Man-ville, the US company crippled by asbestos-related health suits, emerged from bank-

a large company's bankruptcy reorganisation plan could be revamped years after being negotiated. Page 16

**EUROPEAN Monetary System:** Pressure increased on the EMS last week, prompting interven-tion from the Bank of Italy and Bank of Spain to stem the rise of their individual currencies. The Bank of Italy bought large amounts of French francs, plus D-Marks and Ecu's as the lira hit its maximum allowed value against the weakest placed franc. The Bank of France also bought francs, against the lira, but on a much smaller scale. Inter-vention by the Bank of Spain to limit the peseta's rise involved purchases of dollars.



000 F Franc Irish Punt D Krone D-Mark Guilder B Franc Lira

ECU Party Day Position

The chart shows the constraints on EMS exchange rates. The gria, basea on ine si tem's weakest currency, defines the cross-rates from which only the peseta may move by more than 21, per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of currencies.

CORONA, Canadian resources group, plans to raise its share-exchange bid for Stikine Resources, Vancouver gold exploration company, from just over C\$60 (\$50.84) a share to \$75.69, or \$257m. Page 20

KERRY PACKER'S, Consolidated Press Holdings, of Australia, has reached agreement with Bond Media over a recapi-

talisation of the Bond Corporation unit, giving Packer control of the Channel Nine television network. Page 20 BANCO CENTRAL, of Spain. has fully resold 12 per cent

of its stock it repurchased from unwanted suitor Cartera Central, Alfonso Escamez, chairman said. Page 21

HONG KONG is to extend maturities of bills issued under its Exchange Fund bills programme from 91 days to up to 12 months in a decision seen by bankers as a way to bolster the capital markets. Page 21

GATOIL: Court-appointed administrators of the troubled Swiss oil company, have accepted a takeover offer worth more than SFr200m (\$140.84m) from Swiss-Libyan controlled Tamoil. Page 20

NCNB, the US super regional banking group, will strengthen its lead in the Texas banking market with the purchase of nine of the troubled National Bancshares' 12 banks for \$59m.

### Business Summary | Bush faces Congress threat to block trade deal unless Lithuania sanctions are eased

# **Manville** case

ruptcy two years ago.

Their action is seen as an important precedent in bankruptcy cases, since this is thought to be the first time

Union put forward fresh ideas on how to solve the external and security aspects of the unification of Germany.

These will now be taken forward by their foreign ministers at a meeting with Mr Hans-Dietrich Genscher, the West German Foreign Minister, in Copenhagen later this week.

The main concrete results of the summit are the signing of a

# Summit promises era of trust

PRESIDENT George Bush and President Mikhail Gorbachev yesterday pledged to seek a more co-operative relationship in spite of admitted differences over Lithuania and the future

of Germany.
After four days of summit After four days of summit talks both leaders expressed effusive enthusiasm for each other and their ability to work together. They agreed to meet more regularly, perhaps once a year on a more informal basis. Underlining their warmer relationship, Mr Bush said the US was "not trying to deal from strength," while Mr Gorbachev stressed that "to assume that one of us can dictate to the other is absurd."

A feature of the summit was the willingness of both leaders

the willingness of both leaders to air their disagreements in public without any fear that this would undermine their new-found mutual trust. Without resolving their differences, both the US and the Soviet Union put forward fresh ideas

the summit are the signing of a treaty virtually eliminating both countries' stockpiles of chemical weapons and a frame-work agreement on reducing strategic nuclear weapons (Start), as well as a host of commercial and cultural Adviser drafts alternative to Ryzhkov plan

However, important differences must be resolved before a Start treaty can be signed towards the end of this year or current negotiations on reducing conventional forces in

Europe can be completed.

President Bush's desire to offer public support for Mr Gorbachev and his reform pro-gramme was underlined by his graining was indefined by his willingness to sign a trade agreement despite warnings by US congressional leaders that it would not be approved until Moscow eases its sanctions on

Mr Bush yesterday backed the treaty as being "in the best interests of the US" and sought to make its approval dependent solely on the enactment by the Soviet parliament of a law libsoviet parliament of a law lib-eralising emigration. He treated the Lithuanian issue separately, describing it as "one of the thorus in the side of an overall relationship," while repeating his support for the rights of self-determination of the Baltic peoples.

President Gorbachev warned

that unless Israel gave assur-ance that Jewish migrants from the Soviet Union would not be allowed to settle in the occupied territories, he might re-consider the issuing of exit permits On Germany, there contin-

ued to be disagreement over whether a unified state should be in Nato, but both leaders discussed ways of providing assurances that unification would not threaten the secu-rity interests of the Soviet



Presidents Bush (left) and Gorbachev with their wives during a Camp David interval

US had put forward a ninepoint plan about the future security approach of Nato and a unified Germany, while he disclosed that the Soviet Union had suggested "exploring the possibility of some sort of

agreement between the Nato alliance and the Warsaw Pact." During yesterday's press conference, Mr Gorbachev was reminded by a question from a Soviet reporter - and to the Soviet leader's evident displeanion. sure – of his political prob-Mr Baker confirmed that the lems at home, and in particular

of last week's election of Mr Boris Yeltsin as president of the Russian Republic.

Mr Gorbachev warned Mr Yeltsin against engaging in "a political game for him to hold high office," accusing him of having changed his views on some fundamental political issues. Mr Bush and other US leaders have remained notably leaders have remained notably silent about Mr Yeltsin. This is in contrast with the American media and many commenta-tors who have highlighted his

### INSIDE

 Soviet defence chief raises prospect of breakthrough, Page 4 ■ Key differences slow progress on nuclear arms treaty. Page 4

Pitfalls remain on path
to periect trade relations.

volunteer army. Page 3

Unification issue eludes

Mr Taha held a series of meetings in Washington, Bagh-dad and London to organise and sign \$3bn of letters of credit and medium-term loans that were not authorised by

• That the central bank offi-cial liaised with officials of Irag's Ministry of Industry and Military Production in order to organise payment for exporters in the UK and elsewhere in Europe who were shipping goods to Iraq believed by Western intelligence to have mili-

tary application.
Up to \$1bn of the unauthorised BNL Iraqi loans is believed to have gone towards the purchase by Baghdad of militarily useful civilian equip-ment and technologies that are part of Iraq's effort to develop a range of conventional weap-onry as well as chemical and

The US investigation has learned of Mr Taha's frequent meetings and bank dealings with Mr Christopher Drogoul, the former manager of the BNL Atlanta branch who is bnil Atlanta branch who is himself facing a possible indictment by the Grand Jury. Mr Taha is said to have signed two BNL loans in 1989 totalling \$1.75bn that bore only Continued on Page 16

# SOVIET President Mikhail Gorbachev's ately to decide how to transform big

personal economic adviser has drawn up a plan of immediate radical mea-sures to begin the process of transfor-mation to a market economy on the Soviet leader's return from the Washington summit.

The plan amounts to a complete

alternative to the economic reform package presented by Mr Nikolai Ryzhkov, the Prime Minister, to the Soviet parliament and facing probable rejection by the deputies this week.

increases, starting with a tripling in the bread-price, but only step-by-step institutional change.
Professor Nikolai Petrakov, one of

three personal aldes to the Soviet presi-dent, spelt out his programme in an interview with the Financial Times, insisting that it was simply his advice to Mr Gorbachev. He said there were three immediate measures which the Soviet leader could and should enact on his return. They would:  Create the conditions for competi-tion, including "de-monopolisation" of the state sector, abolition of industrial ministries, and selling shares in state enterprises.

Order further emergency cuts in budget spending, to reduce state invest-

Begin the radical reform of the banking system, making the central bank independent of government, and putting all other banks on a commercial basis.

include measures to stimulate the cremetide measures to stimulate the cre-ation of small businesses and promote a wider property market, to create fur-ther competition, and provide another outlet to invest the savings of ordinary

His plan amounts to a reversal of the Ryzhkov package, because only once those institutional reforms were in place would he introduce price reforms. He would freeze the prices of a few dozen basic foods and consumer goods and free all other prices.

The Ryzhkov plan provides for the virtual doubling of most controlled prices by government order, the tripling of the bread price, and only gradual institutional reforms to carry out the transition to a market the transition to a market.

Mr Petrakov added his name to the string of distinguished Soviet economists who have virtually denounced

the Ryzhkov plan. He said the programme did no more than raise prices, without liberalising them, and failed to to a market economy.

"First of all, it is necessary to create conditions for competition. The soul of the market is competition," Mr Petrakov said.
"That is why we need to introduce

de-monopolisation measures. I think that the branch [industrial] ministries should be abolished, and stock-holding companies should be created." He suggested that a committee on

stely to decide how to transform big state enterprises into joint stock companies. The programme would also involve the creation of a share and securities market. Stocks could be sold to enterprises, private citizens, banks and foreign partners.

The process of creating joint-stock companies should begin immediately, and coincide with the creation of a securities market. Mr Petrakov said 2,200 big state enterprises could be turned into joint stock companies before the end of the year.

He said that under his plan the price of bread would not be increased on July 1, as proposed by the Government. but would be frozen, as would the the price of "a few dozen basic foods and consumer goods. Other prices should be set free, and turned into market

He said the programme could be implemented by the decrees of the president, but admitted that popular reacstate property could be set up immedition was unpredictable.

# Western allies poised to relax curbs on exports of technology

By William Dawkins in Paris

WESTERN allies are poised to give the go-ahead to reduced export curbs on the sensitive echnology needed by Eastern European countries to rebuild

Diplomats are optimistic that a high-level meeting this week of CoCom, the 17-nation Co-ordinating Committee for Multilateral Export Controls, will agree to ease controls on exports of personal and mainframe computers, some telecommunications equipment and sophisticated machine

This is expected to be the This is expected to be the first step towards the creation, possibly by the end of this year, of the UK-inspired idea of a core list of a third to a half of the 120 industrial goods currently vetted by CoCom.

It would be the biggest reform in the history of the organisation, founded 41 years ago to stop sales of militarily useful technology to the Soviet

useful technology to the Soviet Union and its Warsaw pact allies, a role which it has been struggling to change in line

with the east's political the rest of the group's approval, as they have to at The main relaxations likely

during the meeting on Wednes-day and Thursday would not take effect until August at the earliest, but the session will also consider making an instant political gesture to the east by immediately abolishing controls on 20 to 30 goods of little strategic or commercial value, such as floating docks and redundant rocket fuel

Outline agreements have been hammered out in advance by late-night talks at CoCom's Paris headquarters. They propose that the east should be allowed to buy 32-bit personal computers, based on the Intel 80-386 microprocessor industry standard. These are twice as powerful and more than five times faster than the 16-bit machines that can now be

The outline accord on machine tools would double the accuracy of permitted equipment and double the power of the computers that control them. CoCom members will also

consider a compromise to let the east buy more western telecommunications equipment.
This is the most sensitive area because its great military value. This would allow the free sale of digital packet switches and fibre optics to countries believed capable of controlling the re-export of sensitive equipment to the Soviet Union. Hungary, Poland and Czechoslovakia are the most

likely for such favourable treatment. There would also be a less substantial easing of controls on other countries The meeting will be asked to allow individual CoCom mem-bers to clear exports of older such as the Soviet Union. A small opening, Page 14; Gor-bachev in Silicon Valley, Page mainframes without seeking

# 1992. BE NEAR THE AIRPORT, OR IT COULD BE TERMINAL.

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# STATUS PARK THE RUNWAY TO EUROPE

### ONTENTS LE MONDAY INTERVIEW



As a screen idol and the closest thing But his conservative views have isolated says has become 99 per cent left wing Page 34

Hollywood power broker. Charlton Heston is America has to a god him in an industry he

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High technology: Japanese escalate the war of "notebook" computers . Management: Why Britain's headteachers are

on a learning curve .... The future of CoCom: A small opening for Lombard: British economists vote against

Thatcherism . European Development Bank: Why Frankfurt is a city whose time has yet to come ..... Lex: US and UK markets contrasted; Hartwell;

oil: water companies ..... Survey: Export finance ..... ..... 15 -London .... .... 10 UK Gilts ... ..... 29 Management ...... US Bonds ..... 14 Und Trusts 25-28

24 Weather \_\_

FT SURVEYS THIS WEEK

European Investment Locations With the approach of 1992,

more companies, in and

their location strategies

outside the EC, re-examine

# TODAY: Export Finance: new markets open up as national barriers start to tumble down

I TUESDAY: Naw South Wales: bold reforms are planned, but the toll begins to tell European Investment

WEDNESDAY: Executive Cars: a price war looms in the showrooms.

FRIDAY: Japanese Computers: an explosive demand at home, while the industry plans fresh

Locations (see panel, left)

challenges on world markets

# INTERNATIONAL NEWS

# Washington mayor goes on trial

By Lionel Barber in Washington

MAYOR Marion Barry of Washington DC is set to ge on trial today on charges of perjury and possession of cocaine the climax of a controversial investigation into one of America's best-known black

In the run-up to the trial, Mayor Barry has come under growing pressure from his friends and associates to plea bargain. Many are expected to be called as prosecution wit-nesses in what threatens to be an exposure of the private life of the high-rolling mayor who has ruled Washington for the past 10 years.

Though the mayor has reportedly suggested that he would be open to a guilty plea on misdemeanour charges of possession of cocaine, the US Attorney's office wants him to plead guilty to at least one fel-ony perjury charge.

Under federal guidelines. this would almost certainly bring a prison sentence, bar-ring him from office.

The case's racial overtones are ever-present. Ever since the allegations surfaced. Mayor Barry has accused the white establishment - includ-ing the Washington Post, the trying to unseat him.

# Japanese 'notebook' computer war escalates Stefan Wagstyl reports on a battle which shows the electronic giants at their best

COMPETITION is hotting up in the Japanese market for small laptop computers, as rival companies vie to pack an ever-wider range of features into an ever-smaller box and sell it for an ever-lower price.

Toshiba launched the first so-called "notebook" machine last July, followed by NEC in December. They have been so successful that Sharp, Mitsubi-shi and Fujitsu have recently announced plans to join the fray. Sony and Hitachi are considering following them. The companies are fighting

each other with leap-frogging announcements of innovations designed to capture market share. The battle shows Japanese electronics groups at their best; the same competitive pressures which led them to make the world's best-selling radios, televisions and music centres are now working in the notebook computer market. Foreign as well as Japanese

SPAIN and Mexico have signed an

agreement whereby Spanish banks will write off 50 per cent of \$156m (£92.3m)

in Mexican loans, Reuter reports from

The write-off is significantly larger than the 35 per cent under the scheme drawn up by Mr Nicholas Brady. US

Treasury Secretary, to which Mexico

Madrid.

consumers will Toshiba already sells its machines in the US and in Europe. NEC has introduced models into the US but not yet into Europe. Sharp intends to make its debut in both the US

and Europe this summer. Notebook computers have developed as a sub-section of the established market in lap-top machines. The small machines are generally the size of an A4 sheet of paper and weigh 3kg or less. Unlike the original generation of laptops. they are truly portable.

The manufacturers expect competition to become more intense. "It will be severe," says Sharp. Toshiba comments: "It will be difficult but we hope to win." The effort will be worth it if market forecasts prove correct. Sharp estimates 195,000 machines were sold last year, worth Y28.9bn (£111.6m). This could jump to 450.000 machines this year with a

was the first large debtor to subscribe.
The agreement was "in line with principles Spain began to defend well before the Brady Plan," Mr Carlos Solchaga, the Spanish Economy Minister said.
Mr Pedro Aspe, the Mexican Finance Minister, said he was grateful for

Spain's gesture which he saw as recog-nition of Mexico's efforts to restructure

NEC. The two are running neck-and-neck in the domestic market. But NEC could streak Forecast growth of the Japanese notebook ahead following the launch in April of 98 Note-SX, which NEC claims is the first small computer market Units Yen (bn laptop fitted with a 32-bit cen-195,000 tral processor, instead of the 16-bit chip in other machines. 62.5 94.0 450,000 710,000 NEC says this makes the machine twice as fast. It does 1,700,000

value of Y62.5bn, and 1.7m worth Y205bn in 1993.
Prices are falling. Toshiba
says its original Dynabook was

priced at Y198,000 (£764) when it was launched. The same model can be bought at Y160,000 now. But successive upgrades make price compari-sons difficult. Toshiba's latest model, which is compatible with IBM machines, sells for

Toshiba's biggest rival is

which dominate the Japanese market. NEC says 6,500 different kinds of software written for the desk-top machine will run on the laptop. it may be too late for the

its economy. In March, Mexico signed a

18 economy. In march, mexico signed a \$48bn agreement with around 450 creditor banks for a three-option debt reduction scheme. Creditors could write off 35 per cent of the principal in exchange for 30-year Mexican bonds, accept a flat

per cent interest or make new lending equal to 25 per cent of banks' exist-ing exposure to Mexico.

not, however, have any plans to introduce a 32-bit version of

its 16-bit US model, called

Ultralite. The competition

overseas is not so tough. NEC's biggest advantage is

the fact that its small laptop

computers are compatible with

its own desk-top machines,

new entrants to catch the front-runners, but they are not without hope. Sharp, which is

strong in calculators, is emphastrong in carchiacts, is empta-sising the extreme lightness of its machine, which weighs only 2kg, against 2.95kg for Toshiba's Dynabook. Also Sharp is spreading its develop-ment costs by supplying to Mit-subishi to sell under the Mitsu-

bishi brand-name. Sony is still considering launching a laptop. But in keeping with its tradition of technological innovation it has recently started marketing a machine which is entirely dif-

ferent - the "PalmTop".

Instead of a keyboard, the PalmTop has a screen on which the user writes instruc-tions with an electronic pen. The machine can recognise more than 3,500 Japanese characters. This palm-sized machine is not sophisticated enough to run personal com-puter programmes. Nor can it understand English. But, one day, Sony believes, it might just make keyboards obsolete.

Spain outdoes Brady Plan by writing off half its bank loans to Mexico The agreement signed on Thursday involves Spanish banks accepting Mexi-can government bonds in exchange for up to \$78m in old debt and writing off the rest. The bonds carry a 17-year maturity, with four years grace and interest of six-months London Inter-

bank Offered Rate plus 13 per cent. Mexico has foreign debt of \$93bn.

# E German GNP is estimated to fall by some 10%

By David Goodhart in Bonn

THE GROSS National Product of East Germany could fall by up to 10 per cent in 1990. according to one of West Ger-many's leading economic insti-

This would contribute to a much larger public sector defi-cit for the second half of the year, way above the DM33bn (£11.7bn) expected by the Bonn

Finance Ministry.
The institute, which works closely with both the Bundesbank and the Finance Ministry, stressed the provisional nature of the estimates and the difficulty in applying normal GNP measurements to East Ger-

Nonetheless the calculations, to be published later this month, lend some authority to the assumption, shared by many West German businessmen, that the East German economy faces a gruelling two

economy faces a gruelling two
or three-year transition.
Earlier this year, industrial
production in East Germany
was reported to have fallen by
5 per cent, thanks in part to
the outflow of workers to West
Germany, but the institute's
estimate for the whole year
presupposes a further slump in
domestic output after economic and currency union nomic and currency union with West Germany on July 2.

To prevent that slump swallowing up too many East German companies the Bundesbank has been encouraging West German commercial banks to be as generous as pos-sible with loans after July 2 at least for those companies with medium-term survival

However, Mr Theo Waigel, the Bonn Finance Minister, repeated at the weekend that he would not contemplate a complete waiving of East German corporate debt as demanded by the opposition Social Democrats. Corporate debt is to be converted at 2 East Marks for 1 Deutsche Mark, but Mr Waigel said a complete waiving would cost the East German state an extra DM10bn to DM11bn in interest costs a year. Despite reports from East

Germany of a large rise in corporate credit in recent months. especially among those connumer goods companies which have virtually stopped selling their output, the total indebt edness of East German compa-nies has actually fallen from 260bn East Marks at the end of 1989 to 236bn East Marks at the

end of April. The increased indebtedness of some companies has been more than off-set by the ability of others to reduce debithrough retaining more of their profit, according to the

Finance Ministry.
But the economic institute gloomy growth forecast for East Germany in 1990 will raise more doubts about the Bonn Finance Ministry's costs of unity calculations. Unity



Waigel: against debt waiving related borrowing for 1990 by both German states (including the German Unity Fund) is currently expected to be about DM42bn, but that assumes the

East German deficit can be held at around DM33bn. There are also uncertainties over how much support East German companies will need to continue their existing con-tracts with the Soviet Union; the Bonn Finance Ministry calculates DM2bn, while the East German Government puts it at

Such economic uncertainties have prompted the Bundes-bank to stress the need for widespread savings by central and local government in West

Mr Karl Otto Põhl. Bundesbank president, said on West German television that without such savings higher interest rates would be unavoidable.

# Phnom Penh struggles on war and cash fronts

By Robin Pauley, Asia Editor

THE Cambodian government appears to be in increasing ecomic and military difficulties amid growing reports that Pol Pot's Khmer Rouge guerrillas have made strategic advances in the long-running civil war. Another round of talks between the warring factions begins today, this time in Tokyo. Compared to six months ago, when the last talks were held, the Khmer Rouge is in a stronger battle-

field position and diplomats do not hold out great hopes of meaningful progress or com-Some form of ceasefire pact may be signed by some of the parties but its chances of hold-ing are minimal, particularly if

the Khmer Rouge do not sign. Recent travellers and aid workers in Cambodia report an important advance by the Khmer Rouge which is reported to have launched an offensive against the provincial capital of Kompong Speu, 40km

from Phnom Penh. However. reports that the town has been under virtual siege remain unsubstantiated, although an important 20-metre bridge on the main road linking Kompong Thom, in the north, to Phnom Penh has been destroyed.

The Vietnam-backed Hun Sen government, still subject to a Western aid blockade, is also facing a serious economic crisis. The blockade has remained principally because the US Government, founder ing in its search for a new Cambodia policy, refuses to accept the Hun Sen govern-ment as an interim administra-

tion pending elections.

The economic crisis is made worse by the impact of deve opments in eastern Europe and the Soviet Union. The Internstional Monetary Fund is also expected to dry up as a source of finance as resources are directed towards east Euro-pean countries.

### WORLD ECONOMIC INDICATORS FOREIGN EXCHANGE DECERVED

roneid	IN EXCHANGE	RESERV	/ES (US\$1	m) 🚋
	Mar. '90	Feb.'90	Jan. '90	Mar. 89
S	45,424	43,913	45,233	20,298
K	31,345	31,839	31,765	38,771
/. Germany	56.919	57,158	56,001	50,157
apen	66,663	74,483	75.738	92,739
elglum	9,935	9,920	9.963	9.368
aly	48,943	45,755	46,001	35,534
letherlands	15,479	15,531	15.146	14.437
	Feb. '90	Jan. '90	Dec. 89	Feb. 89 -
FBRCS	22 211	24 444	01 000	00 404

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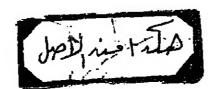
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COMBINED HEAT AND POWER SEMINARS



### INTERNATIONAL NEWS

# to communists' best hope lies in humour

per party is the butt of bitter jokes which may just help it survive, writes John Lloyd

TVE YOUNG people, in the uniform of the Pio-neers (Communist ts) stand on a platform in Prikope Street in central rue and solemnly recite is and sing stirring songs, audience doubles up with

thind them, a wall has erected on top of which, coconuts in a fairground , are the heads of past et and Czechoslovak Comist leaders: Stalin, Brezhand Andropov, with the hoslovaks Gottwald, Zapoy Svoboda and Husak. ie "Pioneers" are actors, their act is little more than

"Red Verses" and songs :h nearly all the audience to memorise at school, don't need US dollars," one song, "all we need is own work, and a belief in country under the banner

handingsm.

le laughter is a little bitter,
burse, for the system from
h such "art" sprang was
ke only seven months ago,
as the election campaign hes its final week, the munist Party has joined ranks of the other 20-plus ies vying for power, seek-through its ultra-demoic propaganda and its a-pacific symbol (oddly, a ch of cherries) to wash y the bad taste in the iths of many Czechosio-

can hardly be said, how-that it is being treated ly in this campaign: it is yone's whipping boy. Such ifestations as that on Na

POSSIBILITY of creating

ofessional volunteer army ne Soviet Union was held yesterday by Marshal Dmi-Yazov, the country's nee Minister. But he said

sweeping military reforms id take 10 years to com-

me of the central problems

military reform... is aging the recruitment and the possible transi-

to an army recruited on a nteer basis," he wrote in irticle published by the

y newspaper Krasnaya

OPINION POLLSTERS believe Civic Forum, with its Slovak sister organisation, Public Against Violence, can

Public Against Violence, can win an outright victory in Friday's elections, the first free voting for 42 years, writes John Lloyd.

The last poll to be published, last Friday, showed the two on neary 40 per cent, with Public Against Violence inst heating the Christian just beating the Christian Democrats in Slovakia for

The Christian Democratic Union, which includes the People's and Christian Democratic parties, held a rally yesterday in Vellebrag in Moravia, the centre of choslovak christianity. Dr Jan Carnogursky, a Dep-uty Prime Minister, said "the election would complete the defeat of communism." Speaking as a Slovak, he said, the union between Slo-vakia and the Czech republic would remain strong. "Slovakia does not want to separate from the Czech lands." Analysts at the Public Opinion Research Institute forecast that the proportional redistribution of votes

where, its posters are defaced and mocked; and, rubbing the point home, Civic Forum and the Government continue to reveal the extent of the money taken from the state by the party over the past two decades, and to show that the party's most feverish activity since the November revolution has been to try to keep some part of its holdings.

Zvezda (Red Star). The marshal also disclosed

that a government commission

would report to the Supreme

Soviet (parliament) on reform

proposals in two months' time.

under consideration included

reducing military service to 18 months from two years – move aimed at stemming the growing problem of draft dodg-

ing.

He also revealed that by way
of an experiment, the Soviet
navy would reduce its current
three-year conscription period

He said that changes already

**EASTERN EUROPE** 



Czechoslovakia

of smaller parties which fail of smaller parties which fail to reach the qualifying 5 per cent to the larger parties will carry CF/PAV over the 50 per cent mark and allow the group which engineered the revolution to take power without a coalition.

However, President Vacslav Havel, who will make an important speech in Wenceslas Square tomorrow, may wish to bring in mem-

may wish to bring in mem-bers of other parties in order to create a wide consensus for the difficult economic

A preliminary audit by the Federal and Czech Republic Audit Offices has established that the party's immovable property is worth some 9.5b Korunas (around £370m), of which the Covernent has which the Government has already decreed that more than half must be handed back. A second audit, on the cash and movables, is due to be com-pleted by September 30

to two years from 1992. Next year, it would try "contract recruitment", a system which could later be extended to other branches of the armed

forces. Basically, this would let recruits choose between two

years' service, or a three-year

contract on much higher pay.

Marshal Yazov warned that

the whole reform process could take up to a decade to com-plets, involving cuts in the mil-

itary bureaucracy, more com-puterisation, and improving

roops' living conditions.
Military observers said the

restructing which has hardly

begun.
The latest poll figures show the Christian Democratic Union trailing far behind CF/PAV at 13 per cent, with the Communists on 8 and the Greens on 6. All others - including the Social Democrats, Socialists, Democrats together with the Beer and Erotic Initiative parties - score 4 per cent or

less.

In addition, some 13 per cent of people say they still do not know how they will vote. Analysts expect many to join the CF/PAC bandwagon as it continues to roll.

All parties except CF/PAC have suffered a loss of prestige during the campaign, or have been unable to make an impression.

impression.

• President Vaclav Havel said yesterday the home-made bomb which injured 19 people, many of them tour-ists, in central Prague on Saturday had been planted by "enemies of Czechoslo-

vakia's new democracy." The Government would take firm action to prevent similar

Some of the ruses now being used by local Communist committees to retain their property have been revealed by district auditors. In Ceske Budejovice in southern Bohemia, the district party has leased two of its buildings to a shell co-opera-tive, which then attempted to provide housing for district committee members. In the industrial city of Kladno, prop-

article appeared to be an attempt to counter military

dissatisfaction with increasing public criticism of the armed

public criticism of the armed services and a lack of response by the high command.

"Most top military would admit privately that they need to move to a volunteer professional army but they've never said it publicly before," said one western military observer.

Middle-ranking officers and a growing number of radical politicians favour switching to a volunteer force, while the military high command has main-

ers at a third or less of the subsequently audited value.

Mrs Jitka Zetkova, Minister in charge of the Czech Audit-ing Commission, said that she now had around 200 people working full time on the audit and that documents had been secured on the internal affairs of the Communist Party up to the end of last month.

The party's share of the vote, which had held up in the low teens for some weeks, has slumped to 8 per cent in the latest poll. It has lost many of its prominent members in the Government, including Mr Government, including Mr Marian Calfa, the Prime Minister, and Mr Valtr Komarek and Mr Vladimir Dlouhy, Deputy Prime Ministers, who left shortly after being appointed. It has only survived calls for its outright ban from other parties – including the Socialists, its former partners – because Civic Forum and President Vaclav Havel pointed out that the new order should not behave like the old.

The Communist Party more

The Communist Party, more than most other ruling parties, inserted itself into every crevice of Czechoslovak society, demanding membership for all leadership functions and peren-nially suspicious of any inde-pendent initiative, while remaining closed to new think-ing and determinedly anti-in-

Its best hope, for the immediate future, is that the national sense of humour, rather than a desire for vengeance, will remain the dominant response

oviet defence chief raises prospect of volunteer army tained that a large conscript army is necessary to defend

the country. But even proponents of such reform recognise that a professional force would be much more expensive to run than an army of conscripts paid Rbs7

The services are plagued by draft-dodging, a steady fall in the standard of living of professional staff, and the return home to inadequate housing of thousands of Soviet soldiers as

# Bulgarian opposition hits out at intimidation

By Judy Dempsey in Sofia

BULGARIA'S largest opposition party, the Union of Democratic Forces, yesterday accused disgruntled Communists of intimidating voters after four UDF officials died last week in suspicious circum-

The deaths, two in a car acci-The deaths, two in a car acu-dent, one by shooting and another in which the body was found at the bottom of a lift shaft, occurred as campaigning was being stepped up for the country's first free elections in more than 45 years.

more than 45 years.

The first round of voting takes place next Sunday.

The UDF, which groups 16 political parties, discounted interference from the secret police. Instead, Mr Petko Simenonov, editor of Demokracia, the UDF's daily newspaper, yesterday pointed the finger at hitter Communists who were yesterday pointed the finger at bitter Communists who were trying to "create a climate of fear throughout the country". Nevertheless, despite polls, which give the ruling Bulgar-ian Socialist (former Commu-nist) Party nearly half the vote, the ITDF's organisers reckon it

nist) Party nearly half the vote, the UDF's organisers reckon it is gaining ground and could gain 40 per cent of the vote.

The UDF says large sections of Sofia, the capital, and other cities are "blue", the UDF's campaign colours, but that support remains weak in the countryside. Mr Simenonov said the elderly and peasants were being told by the Communists that their pensions would be stopped if the UDF won.

won.

The campaign itself has been given qualified approval by the Washington-based National Democratic Institute for International Affairs, an indepen-dent group which monitors

elections,
It said the campaign was
"remarkably open", but
pointed out that some voter
registries were "missing
numerous names, while others included the names of those who had moved or died". But the UDF adds that its

policies are not getting through in some regions because the circulation of its four-page newspaper fre-quently fails to reach the prov-inces because of "distribution"

# Big companies call for changes in EC merger vetting rules

By Lucy Kellaway in Brussels

LEADING companies have warned Brus-sels that its proposed system for verting cross-border merg-ers will be a shambles, unless

it changes it radically, According to the Paris-based International Chamber of Commerce, the procedural rules spelling out how the regulation will work when it comes into force in September are "highly disappointing to business". They warn that the 17 years of discussion it took to produce the merger regulation — finally agreed by member states last December — could

tates last December – could be wasted.

The regulation is designed to provide a system of "one-stop" control so that large mergers – with combined world turnover of more than Ecu5bn (£3.65bn) and EC turnover of Ecu5.65bn (£9.85m) (£9.85m) (£9.85m) Ecu250m (£182.50m) each will be vetted by the Commis-sion and smaller ones by

national anti-trust bodies.

The draft notification form, which all large merging com-panies will have to fill in and send to the Commission, has already been sent back for redrawing following a hostile reception by member states. Competition officials admit it

European is too complex and are trying

The ICC, however, is worried they will not go far enough. it says the present form requires more information than most companies have readily at their disposal. They would have to provide 20 copies of all relevant studies and docu-ments (with all figures in ecus) and supply exhaustive owner-ship lists for all related companies complete with diagrams with 500-1,000 subsidiaries this would be very time-consuming. instead the ICC has suggested a two-part form with a brief compulsory first part which would allow the Commission to

would fill in on a voluntary The ICC is also taking issue with a draft document describing which kinds of joint ven-tures will be covered by the merger regulation. It believes the Commission has defined these far too narrowly, so that most would continue to be dealt with by the blunt tool of Articles 85 and 86 of the Treaty of Rome.

decide whether to investigate

supplemented by a further questionnaire that companies

# Brussels under attack for hampering biotechnology

By Tim Dickson in Brussels

CONCERN IN industry that

Europe's competitiveness in biotechnology is being threatened by regulators in Brussels will be voiced at an international forum in Dublin today.

The conference is being staged under the aegis of the Irish presidency of the EC and will be attended by civil servents industrialists and and vants, industrialists and and research experts. The aim is to consider how modern blotechnology can address global prob-lems such as health care and

food supply.

A key industry message, however, will be the urgent need for the EC to develop a coherent policy enabling it to prevent the bulk of new invest-ment going to the US and

While there is no doubt about the formal political priority which has been accorded the issue (a "communication is frustrated at what it sees as a damaging battle within the European Commission between the departments responsible for the internal market and research on the one hand, and the environment department

on the other.
The Senior Advisory Group
Biotechnology, a high-powered
lobby whose members include
Ferruzzi, Hoechst, ICI, Monsanto Europe, Rhone Poulenc, Sandoz and Unilever, is calling for a coherent "line manag ment" to be put in place in Brussels for Community regulation of biotechnology.



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A WORLD OF UNDERSTANDING

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# Bush plays courteous host to nurture Soviet ties

By Peter Riddell, US Editor, in Washington

THE theme of President George and Germany. Mr Bush was the Bush's diplomacy is "keep talking". As he said revealingly during Friday evening's ceremony to sign various arms and commercial accords: "We may not agree on everything - and indeed we don't agree on everything - but we believe in one great truth: the world had waited long enough.

The Cold War must end."
To this end Mr Bush's priority is to keep pushing forward the US-Soviet relationship, not letting it be derailed or sidetracked, whatever the openly admitted differences over Lithuania

patient, courteous host, not seeking to exploit his guest's problems back home, but rather emphasising the positive points of the relationship. He was sensitive to Mr Mikhail Gorbachev's often repeated concern about appearing to look weak or to beg.

At yesterday's press conference he

talked of "not looking for trying to

achieve advantage". Both leaders yesterday praised each other. US conservatives have accused Mr Bush and Mr James Baker, the Secretary of State, of pinning US policy too

much on the survival of Mr Gorbachev when his future is increasingly in doubt. But they are working with the grain of US public opinion.

However, Mr Bush has taken a political risk in signing the trade treaty after congressional warnings that the deal should not go ahead as long as Moscow continues its squeeze on Lithuania. The decision was taken at the last minute.

A trade treaty will open the way for the granting of Most Favoured Nation (MFN) trade status and a lowering of US tariffs. However, granting it will

not happen until the Soviet parliament passes a law codifying the liber-alisation of emigration. Indeed, the treaty will not be sent to the Senate for ratification until then.

Mr Bush said yesterday that the only linkage was between granting MrN status and the emigration law and the Lithuanian issue is separate, "one of the thorns in the side of an

overall relationship".

However, as Mr Bush apparently told Mr Gorbachev in private, it will be "extraordinarily difficult" to win congressional support for the trade

treaty without a resolution of the It is unclear yet whether Mr Bush's

decision to sign the trade treaty is largely an empty gesture of support for Mr Gorbachev to help him at home when the US President knows that the trade and the sign of the s that the treaty will not be approved by Congress. The alternative view is that once the Soviet emigration law has been approved Mr Bush will urge Congress to adopt the trade treaty, along with the multi-year grain agreement, in what he yesterday described as "the best interests of the US".

# Progress on nuclear arms treaty slowed by key different by key differences

By Robert Mauthner in Washington

THE US and the Soviet Union have narrowed their differences over reducing their strategic nuclear arms arsenals by an average of 30 per cent, but several important issues remain to be resolved before a

remain to be resolved before a treaty can be signed.

The "tangible progress" described by Mr James Baker, the US Secretary of State, was summed up in a statement by Mr Bush and Mr Gorbachev, which reaffirmed their determination to have a strategic arms reduction treaty (Start) "completed and ready for sig-nature by the end of this year".

The two leaders also issued a guideline statement for fol-low-on Start negotiations, to begin at "the earliest practical date" after the signature of the first treaty. They set as their target "removing incentives" for a nuclear first-strike and giving priority to highly sur-vivable systems.

In particular, the two sides

undertook to seek to reduce the concentration of warheads on strategic delivery vehicles, including heavy missiles and long-range ballistic missiles with multiple warheads. The wording of this statement clearly indicated a desire to reach a compromise between the US objective to eliminate land-based missiles with multiple warheads in which ple warheads, in which Moscow has a clear advantage and the Soviet aim to limit sea-launched missiles, an area of US superiority.

Though the two statements were hailed as settling "almost all the major substantive issues" by Mr Baker, US officials frankly acknowledged that there was continuing dis-agreement in three important areas at least. These include the US demand for restrictions on the Soviet Backfire bomber. limits on the testing of the heavy Soviet SS-18 missile and what are decribed as the "non-

circumvention" provisions.
Britain is directly concerned by this issue, since it could involve the Trident 2 missiles. The US has insisted in the negotiations with the Soviet Union that any non-circumvention clauses should not affect the Angio-American nuclear

arrangements.
US officials said that the

Soviet Union was prepared to make a politically-binding statement that the Backlire bomber would not be used in "an inter-continental mode" and to take measures to restrict in-flight fuelling so that it could not be used in such long-range operations. But the US negotiators, under heavy pressure from the con-servative arms lobby in Congress, continue to insist on additional assurances, such as a limit on Backfires assigned

to naval operations.
On the Soviet SS-18 heavy missile, another special target for conservative critics who feel that Washington has been making too many concessions US negotiators do not consider that the 50 per cent reduction in numbers which they have obtained is sufficient. They have also been pressing the Soviets to agree to measures which would inhibit their ability to modernise these missiles, such as limiting the number of the surples of the su such as limiting the number of

tests that can be carried out.
The most significant progress that was reported was the agreement on sub-limits for mobile missiles. Within the limits of 6,000 warheads overall and 4,900 warheads on ballistic missiles, which had already been agreed long before the present summit, a sub-limit of 1.100 warheads on mobile mis-siles has now been fixed.

If several tricky hurdles need to be negotiated before the treaty is completed and signed, even less progress was made towards solving the remaining problems in the Vienna negoti-ations on conventional forces in Europe (CFE), particularly those concerning aircraft.
The two presidents did, how-

ever, reaffirm their commitment to conclude a CFE agreement by the end of 1990.

Of particular significance was their agreement that the completion of a Vienna agreement should be a pre-condition for a summit of the 35-nation Conference on Security and Co-operation in Europe, due to be held at the end of this year.
It is at this meeting that European countries, together with the US, the Soviet Union and Canada, will have their first substantive talks on a new security structure.

# New note sounded on unification theme

By Llonel Barber in Washington

THERE was no breakthrough on German unification at the US-Soviet summit but the overriding impression after four days of talks between Presidents Bush and Gorbachev is that there is movement. Talks will resume with an

important three-way meeting in Copenhagen tomorrow between Mr James Baker, US Secretary of State, Mr Eduard Shevardnadze, Soviet Foreign Minister, and Mr Hans-Dietrich Genscher, West Germany's Foreign Minister.

The triangular talks underline the close co-ordination between Bonn and Washington on how to sell German unification to the Soviet Union. Chancellor Kohl will arrive in the US later this week to give a commencement address at Harvard and to hold talks later with President George Bush. For a brief moment during

the superpower summit, it seemed as though President Bush and President Mikhail Gorbachev were on the brink of a breakthrough on Germany; but Mr Gorbachev's tan-talising words - "something has emerged" - proved to be just that.

This week in Copenhagen, both sides will examine in more detail the current US-West German proposals on the table which include capping the future size of a united Germany army; a transition period for Soviet forces in East Ger-many; substantial West Ger-Soviet Union; and the shape of a second round of conventional arms agreement in Europe.

From Bonn's (and the Western Allies') standpoint, the joint summit declaration on ventional arms (CFE) talks in Vienna is crucial, CFE is intended to be the foundation of a new security structure for Europe, after German unification. Soviet foot-dragging was

proving a problem.

The Soviet Union is now on record supporting the US posi-tion that a CFE agreement is the pre-condition for a meeting of the 35-nation Conference on Security and Co-operation in Europe (CSCE) later this year to underwrite a European settlement. "We are reassured because there is now a process under way," said one West German official

Bonn will also have been reassured by Mr Gorbachev's talk during yesterday's news conference of "synchronising" the internal process of unifica-tion with discussions on its external security. Nobody in Washington or Bonn wants to cement the economic, mone-tary and political ties between the two Germanies in a European security vacuum.

If there was a fear in West
Germany, it was that Mr Gorb-

achev would act as a spoiler on the unification question. The Soviet leader's demean-our during yesterday's news conference was of a man who may still harbour doubts.

But Mr Gorbachev, who com-plained last week, about the "same old melody" on German membership of Nato, now appears to have a more open



Camp David talks involving, Mr Baker, left, Mr Bush, National Security Adviser Scowcroft, Mr Shevardnadze and Mr Gorbachev

# Thatcher adamant on German role in Nato

MRS Margaret Thatcher, the UK Prime Minister, yesterday foreshadowed her talks later this week with President Gorbachev with an uncompromis-ing stance on German mem-bership of Nato, writes Philip

Speaking on the BBC World Service, Mrs Thatcher said full participation in Nato by a united Germany was "vital" to

western security.
As the US-Soviet summit broke up without agreement on the issue, she made it clear that any suggestions that a

united Germany might join Nato's political structure but be left outside its military

framework was completely unacceptable to Britain. Mrs Thatcher, who will meet President Gorbachev in Moscow on Friday during a three-day visit to the Soviet Union, said she would offer strong support for the Soviet leader's programme of inter-

She also indicated that she would seek to avoid publicly fuelling Moscow's dispute with Lithuania over

the Baltic republic's desire to secede from the Soviet

Acknowledging that the issue would be on the agenda for her talks with President Gorbachev, she said that Britain had consistently backed Lithuania's right to self-determination. She stressed also, however, that the Soviet leader had acknowl-edged that right.

President Gorbachev had passed a law allowing repub-lics to secede, and the priority for both sides now was to negotlate the considerable

negotiate the considerable practical difficulties involved in the split, she said.

Mrs Thatcher, who has no plans at present to meet Mr Boris Yeltsin, the new Russian President, during her visit to the Soviet Union, also eschewed any direct comment on his differences with President Gorbachev. dent Gorbachev.

She preferred instead to speak of the need for all Soviet leaders to pull together in pushing through the country's planned programme of eco-

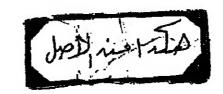


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(RESULT SUBJECT TO CONFIRMATION)



# **WASHINGTON SUMMIT**

# slow it falls remain along path enco perfect trade relations

Nancy Dunne in Washington

E trade pact signed by the superpowers on a course of ser commercial ties. But the th towards a flourishing siness relationship is still ewn with potential pitfalls most immediately the Lithuian crisis which could bring agreement a defeat in Con-

The pact guarantees US busiso the same rights provided the western free market

Market access is improved; option of protectionist dis-minatory standards is pro-

Intellectual property rights patents, trademarks, copyhts, trade secrets – are to protected, with particular rhasis on copyrights for soft ar and sound recordings. Red tape is to be slashed th faster accreditation processes promised for business.

res promised for busine ices; access guaranteed to all vertising media; and rights inted to directly hire local d third country employees. mpanies can engage and ve as agents and conduct rket studies.

The treaty meets one of two fuirements for the granting Most Favoured Nation sta-for the Soviet Union. The ler is a liberalised immigra-n policy. President Bush has sisted that this be codified, a pulation not laid upon China other eastern European

MFN would reduce tariffs on viet goods to the same tariff 'els of most of US trading rtners; duties would fall om an average 40 per cent to average 5 per cent. The immigration bill is near-g final passage in the preme Soviet. The delay ys time for a resolution of a Lithuanian stand-off and

es President Bush a good cuse to withhold the trade ct from Congress. Two-way trade between the and Soviet Union last year is a comparatively tiny \$5bn. some estimates, MFN could d to a doubling or tripling of total in the next few years. Even more importantly, 'N status clears the way for reased export-oriented US estment and the advantages at generally accompany full de relations: credits from

# **SUMMIT ACCORDS**

In addition to a "framework" deal on strategic arms reduction, a trade treaty and a chemical weapons reduction treaty, Presidents Bush and Gorbachev also signed at the summit:

A protocol strengthening on-site verification measures for existing treaties that limit nuclear tests.

A deal to expand commercial air travel between the US and the Soviet Union by adding four US and six Soviet cities to current airliner routes. This will also allow one more Soviet and six more US airlines to run the routes.

A new five year stoyale energy agreement to provide closer

A new five-year atomic energy agreement to provide closer co-operation in nuclear reactor safety, fusion energy and basic

atomic science.

• A grain deal committing the Soviet Union to buying at least 10m townes annually, starting next year, of US wheat, feed grains and soya beans. That is an increase of 1m townes annually. grams and soya beans. That is an increase of 1m townes annually from a current agreement that took effect in 1983.

A maritime transport pact to make it easier for US and Soviet commercial vessels to deliver goods to each other's ports.

A plan to open reciprocal cultural and information centres in Washington and Moscow.

The first government-to-government agreement to increase student exchanges between the two countries.

the IIS Export-Import Bank, IIS Agriculture Department credit guarantees and investment insurance provided by the Overseas Private Investment Corporation.

Commersant, the Soviet business newspaper, estimates that the Soviet Union will need \$25bn-\$30bn a year over the next two or three years in hard currency for imports to ease the economy's transition to market liberalisation. About \$55n-\$10bn would be required

in foreign currency funds. IBM, for example, at the weekend announced a \$20m-\$30m deal to provide 18,000 personal computers for use in Soviet schools. The deal is in

convertible currency.

Most of the 172 US-Soviet joint ventures already registered are still to get off the ground but the commitments offered by the trade agreement are bound to help. Chevron on Friday cited the pact as an important component of a deal to send 20 technical experts to series. Soviet Kazakhstan to assess the feasibility of a joint ven-

the reasoning of joint ver-ture for oil exploration, produc-tion and development.

Company officials said that the survey of the big Tengiz oilfield could lead to a significant expansion of Chevron's Soviet commercial activities. Despite the potential boost offered by the trade pact, the main obstacles to flourishing

husiness relations remain. The rouble is as inconvertible as ever and the Soviet economic system as rigid and inefficient.

But Moscow last week dem-onstrated its ability to learn from the West. When President Bush early in the summit wavered over the signing of the trade pact, the Soviet Union showed Congress it too could practise linkage and held up the scheduled renewal of the long-term grain agreement. This was not viewed with complacency by the US farm

complacency by the US farm lobby which expects a prolific harvest this year and sees the threat of new surpluses. The urgency for a guaranteed total market of at least 50m tonnes over the next five years spurred both deals.

O President Gorbachev said yesterday he would travel to Japan to discuss increasing economic ties, AP reports from Washington.

The announcement, made during the joint news conference with President Bush, came as a surprise. Mr Gorbachev said he was going to

Japan "so as to open up that area" for economic links with the Soviet Union. Relations between the Soviet Union and Japan have been strained due to a territorial dis-pute involving the Kurlle Islands, which the Soviet Union seized at the end of the

### INTERNATIONAL NEWS

# European TV picture is slow to focus

Cultural barriers seem likely to thwart a true single market in television for a long while after 1992, writes Raymond Snoddy

HE STORYLINE Was dramatic. A truck-driver is found shot dead in a unity at stake, Canada's Prime Minister and its 10 provincial premiers gathered for an emerparking lot in Cologne with his hands corroded by acid. His employer is suspected of ship-ping drugs from the Far East to Germany. It is clearly a case for Inspector Dorn.
The detective show, made by

severely in the UK. The pro-gramme had a distinctive char-acter and avoided coming out

as "Euro-pudding."
A series like "Eurocops" is

unusual, however, in a Euro-pean market fragmented by cultural and linguistical differ-ences. Despite the advent of

pan-European satellite chan-

pair-European sateinte chainels, many struggling to make ends meet, European broadcasting is still heavily dominated by national broadcasters.

According to the European Commission, nearly 90 per cent of programmes transmitted in

of programmes transmitted in

western Europe never leave their country of origin. And it is often said that Americans

to break a constitutional impasse over French-speaking Quebec, Renter reports from ZDF, the West German Mr Brian Mulroney, the Con-servative Prime Minister, who national broadcaster, may not have been Europe's most brilhas blumtly warned that the liant television programme. country's future hangs in the balance, summoned the leaders to meeting in a last-ditch effort to save his troubled Meech Lake accord. But it was none the less a mile-stone of a kind. It was part of a series called "Eurocops", the result of a joint effort by six of Europe's public service broad-Quebec leaders believe the casters to tackle serious comcasters to tackle serious com-mon problems: rising costs of producing and acquiring pro-grammes; keener competition; extra hours to fill; and fears of US domination — "cultural imperialism" as some would province will have to separate from Canada if the accord is

not passed by a June 23 dead-line. The agreement was designed to protect Quebec as a distinct society within Canada, allowing the province to sign the 1982 Constitution.

But three English-speaking

Mulroney

on Quebec

WITH the future of national

gency meeting yesterday to try

meeting

begins crisis

provinces are strongly opposed to the set of constitutional amendments, named after Mr Mulroney's lakeside retreat where the accord was reached

The growing threat of Que-bec separatism has measuraised the nation and sent shivers through the financial markets. Business, church and civic groups have been speaking out and placing advertisements in newspapers in emotional pleas for national unity.

On Saturday, several hun-dred people descended on Par-liament Hill in the nation's capital to pray for the future of Canada and the success of the meeting.
It was three years ago yesterday that Mr Mulroney and the 10 premiers signed the final

But since then new govern-ments have been elected in New Brunswick, Newfound-land and Manitoba, and the

new administrations are opposed to the accord without substantial changes.

substantial changes.

The provinces want a new formula to transform the currently appointed Senate into an elected chamber.

They are also concerned that the "distinct society" clause will allow Quebec to trample English minority rights in Quebec in the name of preserving the French heritage.

understand the European mar-ket for films and television better than the Europeans.

Cultural barriers seem likely to thwart a true single market in television long after 1992. Even in Belgium and Switzerland, which receive broadcasts from neighbouring countries in their own languages, viewers spend most of their time watching their own national

channels. "The viewing habits and tastes of French farmers and



THE EUROPEAN MARKET

German grocers, of British bak-ers and Belgian bankers, are not to change overnight in 1983," says Mr Richard Dunn, managing director of Thames Television, the UK's largest commercial television company. Mr Dunn's European cre-dentials are considerable: he is a significant investor in Astra, the Luxembourg-based pan-

Euxemourg-based pan-Buropean satellite system.

A further barrier is the legal right of copyright holders – upheld by the European Court of Justice in 1969 – to distrib-ute films for exhibition in some EC countries but not others. EC countries but not others. Brussels Eurocrats seem to

have quite modest dreams about how much harmonisa-tion is desirable or practical in what they call the "European audio-visual area." That was not always so clearly the case.
Last year, an EC directive on
cross-border broadcasting
alarmed the US production
industry by proposing binding industry by proposing binding quotas on the amount of non-EC programming transmit-ted by Community broadcast-

been watered down and now aims merely to reserve for

European productions a majority of transmission time "where practicable and by appropriate means." Like a clause setting aside at least 10 per cent of channels, excluding news, sport and game shows, ependent producers, it is a guideline and not a legal

Mr Jean Dondelinger, the European Commissioner responsible for the broadcasting and film industries, told a recent conference in Luxem-bourg that the verbal war with the US over quotas was "last year's battle belonging to the past." It was right for Europe to set up its own audio-visual area, he said, but it would involve partnerships with the rest of the world — "beginning with the US."

The Commission hopes broadcasting can promote cul-tural diversity, while also encouraging a new sense of European identity. Brussels believes the sector's total revenues could grow from around Ecu25bn (£18.25bn) this year to Ecu35bn by the end of the decade. Technological change and the growth of channels will also increase the need for programmes from about 260,000 a year in 1987 to

400,000 in 1995.
Mr Dondelinger emphasises that the Commission does not intend to become involved in the creative process or to hand out large subsidies. Instead, it is concentrating on practical measures to help the down-

stream and upstream parts of programme production.

This week a technical com-mittee of the European Parliament will begin examining an action programme" to develop the European industry costing Ecu235m over five years. Proposals range from support for scripts suitable for broadcasting across national frontiers to help for improved dubbing, sub-titling and the creation of more European distribution organisations. Many countries, particularly German-speaking ones, insist on dubbing rather than sub-titling. According to British consultants Logica. dubbing costs from \$11,000 to \$24,000 for an hour-long pro-

European broadcasting organisations and the Commis-sion have set up a script fund to finance script writing for

trans-frontier production. Chaired by Sir Richard Atten-borough, chairman of Britain's Channel 4, it has attracted 1,500 applications in the past 12 months from all over Europe. It has agreed so far to finance 130 scripts, of which 25 are

already in production.

Many broadcasters believe the key to a single programme market in Europe will lie in developing a "second market" on the American model. US networks pay for rights each time they show a programme. But the real money is made later by independent programme-makers, which are entitled to syndicate their programmes to the more than 200 independent US television sta-

in Europe, independent programme-makers are usually obliged to surrender copyright to broadcasters. But Mr Alain Modot, head of the Freuch independent producers' group, thinks they should have the right to retain copyright. That, he argues, would give them a big incentive to promote a sin-gle market by selling programmes right across Europe.
Ironically, last year's bogeymen, the Americans, could turn out to be among the most powerful catalysts for a more competitive European pro-

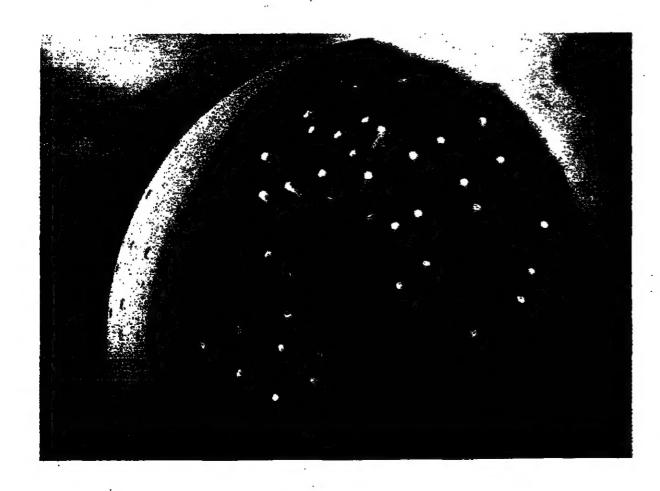
gramme market. Many large American media companies are eagerly pros-pecting the European market. For example, Paramount has bought 49 per cent of Zenith, the production subsidiary of Britain's Cariton Communica tions; NBC has set up a co-production with Yorkshire Televi-

sion; and Time-Warner is on the verge of taking a substan-tial stake in the Zurich-based European Business Channel. But perhaps the most remarkable phenomenon of all is the growth of contacts and trans-national alliances between European producers. market, but something intermarket, but something interesting is under way when ZDF (when not chronicling the exploits of inspector Dorn) is talking to S4C, the Weish language broadcaster, about a coproduction alventure series to be shet in Weles.

be shot in Wales.

It's the splendid Welsh castles which interest ZDF, though, not the Celtic lan-

# by Keiichi Tahara.



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THE FINE ART OF FLYING

Europei Mo. !

EC call over

FRANCE AND West Germany

were last night thought most

unlikely to comply with the European Commission's demand that they revoke their

controversial bans on British beef by 6pm today, Tim Dick.

EC diplomats believe the Brussels deadline will pass

response from Paris and Bonn,

and that the stage will there.

fore be set for a potentially tur-

bulent week of EC infighting

On Friday, the Commission reacted to Germany's decision to join France's controversial boycott over fears of bovine

spongiform encephalopathy

(BSE) by threatening to start legal proceedings if today's

At the same time it was amounced that EC agriculture ministers will gather for an emergency meeting on Wednesday evening, after a special session of the EC's Scientific Veterinary Committee earlier in the day.

earlier in the day.
No other member state last night had joined the ban. An announcement on Friday in Brussels that Luxembourg had

followed suit was later with.

drawn - the confusion appar.

ently arising after a consign-ment of British beef was stopped for a routine check at the frontier.

The Belgians are believed to be considering action, and their health minister has

warned consumers either not

to buy British beef or at least

night to circle around the intentions of Italy, Portugal

A £250m package of benefits is believed to have been offered by the French Government to pursuade the MCA Corpora-

tion, the US company which plans to build a £2bn film stu-

studios and theme park in

French woo MCA

Rumours continued last

to cook it well.

ultimatum was not observed.

and intrigue.

without any immediate

son writes from Brussels.

beef faces

rejection

# Ulster dialogue holds course in spite of killings

THE PAST week's murders by the Irish Republican Army of two British soldiers and two Australian lawyers mistaken for off-duty servicemen will have no effect on progress towards talks about the province's political future, the Northern Ireland Office said

The progress towards the talks between Unionists and nationalists remained on track. and the recent murders held no implications for the political process, an official for the

Mr Peter Brooke, the Northern Ireland Secretary, has been making efforts in recent months to bring the various parties to the negotiating table.
The response from Unionists
to the recent shootings has
been curiously muted. The process towards talks appears deli-cately poised, and participants seem unwilling to jeopardise any progress that could be made. It should be added that the killings of the British ser-vicemen would have generated considerably less publicity if they had occurred in Northern

Specialists on Ulster doubt

was related to the recent prog ress in negotiations. They believe that the attacks were planned far in advance and that the timing of the attacks was left to active service units, which act autonomously.

Meanwhile, the Ministry of Defence said it would not be forced into a siege mentality with soldiers being confined to barracks. An official said the ministry did not discuss secu-rity arrangements, but added that security was under constant review. He called for extra vigilance among service

Mr Tom King, the Defence Secretary and former Ulster Secretary, promised at the weekend that the men who killed a soldier and wounded two others in Lichfield last Fri-day would be caught.

"It is right to say that there are a small group of very evil people who have no compunction about killing. There are not many of them, and we have got to find them," he said. The latest shootings represent a change in IRA tactics.
Until last week its attacks on soft British military targets were limited to car bombs and planting timed devices.

# IRA hunts where security is weakest

WO tersely worded mes-sages, issued in the spe-cially coded language of the IRA, have come out of Dublin in the past seven days.

One apologised for what was called "the tragic mistake" of the IRA murder in the Netherlands of two Australian tour-ists mistaken for British mili-tary personnel. The other

carried no apologies.

Issued late on Saturday night, it claimed responsibility for the murder of an army major in Dortmund. West Germany, and the gunning down of three soldiers on a station at Lichfield in Staffordshire.

The "army council" of the IRA, which probably co-ordinated the attacks from Dublin. will be pleased with its week's work. Once again, the IRA has grabbed the headlines.

The logic behind IRA actions is simple and deadly. In the words of Mr Danny Morrison, former publicity director of Sinn Fein, the IRA's political wing: "If the fatality rate of British soldiers rises, then the 'troops out' sentiment rises in Britain and the closer we come

The IRA's present campaign on the British mainland and on the Continent began early in 1988. At that time, the IRA let it be known that it was in luture going to concentrate on military targets, in Northern Ireland and elsewhere.

the adverse international publicity from several botched operations in Northern Ireland resulting in civilian deaths, including the Enniskillen bombing it was also a recognition of the sad fact that deaths of service people outside Northern Ireland reap far more publicity than killing UDR men within the province.

From the IRA's point of view, it was also much easier to strike at so-called "soft targets" - ranging from army bandsmen to military post sorting staff, to off-duty soldiers on the Rhine, than to launch operations in Northern Ireland.

Irish terrorists may again kill

troops, Kieran

Cooke warns

where security forces' intelli-gence has made terror attacks progressively more risky. From the beginning of its present campaign, the IRA has aimed to spread among mili-tary personnel the fear of being attacked any time, anywhere. It has also sought to intimidate anyone connected with the

anyone connected with the forces, issuing warnings not to travel with forces personnel.

In 1987 and 1988, the IRA experienced several setbacks, including the shooting of eight of its "volunteers" by the SAS at Loughall in Northern Iraland the biggest single. Ireland - the biggest single loss of life it had suffered since the Irish civil war of the 1920s. In early 1988, another three of its top operatives were killed by the SAS in Gibraltar. Recent IRA attacks show that it has re-established an infrastructure on both the Continent and England.

The security forces also admit that the IRA, whether in England or on the Continent, now has access to considerable amounts of arms and bombmaking equipment, part of the massive shipments that originated in Libya.

It includes not only large amounts of the Crecheslavak.

amounts of the Czechoslovak made Semtex explosive, light and odourless and therefore easily transportable, but large quantities of sub-machine

Police and military face a

very difficult job in tracing IRA cells. There will doubtless be calls for more international co-ordination to fight the IRA. There will be increased security at military establishments everywhere. Yet the army and the IRA know that no matter what precautions are taken. there will always be another

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# Energy and obstinacy give way to reality

Philip Stephens traces the acrimonious life and prolonged death throes of the SDP

BRITAIN'S electorate administered the last rites in 1987, but the funeral procession of Dr David Owen's SDP took until yester-day finally to enter the ceme-

No one at Westminster over the past two years has doubted the inevitability of the decision to wind up what remained of the force that less than a decade ago promised to "break the mould" of British politics. The failure of the then Liberal-SDP Alliance to achieve a breakthrough in the 1983 and 1987 general elections, and the

rounding the creation of the Liberal Democrats left the SDP without a political future. The shift towards the centre of Mr Neil Kinnock's new model Labour Party ensured that even as self-confident a

politician as Dr Owen would be obliged later if not sooner to recognise that reality.
With the benefit of hindsight, the SDP's foundations
were built on a polarisation that its very creation would help to ensure proved an aber-

ration rather than a permanent shift in British politics. Once Labour saw that its policies on Europe, on unilat-eral nuclear disarmament, and on economic management, would bring political suicide, it was destined to move into the ground claimed by the SDP. prount claimed by the SDF.
Dr Owen's often bitter personality clashes with both his
Liberal partners in the Alliance — above all with Mr
David Steel during the 1987
election campaign — and with
his original partners in the crestion of the SDF bolstered Mr

ation of the SDP, bolstered Mr Kinnock's determination. Recently Dr Owen has admitted that the latest stage of that shift had left Labour's policies perilously close to those which he quit the party

to fight for. Only on the issue of electoral reform are there still decisive differences. So, in spite of moments of near-glory - as in the Rich-mond by-election last year -the SDF had been sustained since 1987 only by the energy,

Single-solicitor

firms are found

more profitable

By Ian Hamilton Fazey,

Northern Correspondent

SOLICITORS who work as sole

practitioners are about 14 per cent more profitable than those operating with up to three partners, according to a study by Manchester Business School

of small and medium-sized businesses offering legal ser-

The mean annual profit for

the one-person firm was found

to be £46,998, or 45.47 per cent of a total income of £103,359.

Firms with between two and four partners brought in more

income per partner, £109,092, but comparatively higher oper-ating costs reduced net profit

per partner to £40,953, or 37.54 per cent of income. The figures come from a ser-vice to be launched next week

by the business school. It will provide industry sector research for small businesses. The school claims it is the first

Small firms of solicitors are

the first sector the service has

examined. Another report on the plastics processing sector and, in particular, injection

moulders is in preparation.
Solicitors' Firms, A Review of
Trends, Financial Characteris-

tics, Strategy and Performance

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Manchester Business School, Booth Street West, Manchester



SDP removes a irritating

Rise and fall of the SDP

OCT 1980: Dr David Owen tells Labour conference he is led up with "fudging and mudging." JAN 1981: Limehouse Declaration by Dr Owen, Mr Roy Jenkins, Mrs Shirley Williams and Mr Bill Rodgers marks establishment

MAR 1981: New party launched, recruiting 29 MPs, virtually all

from Labour, by time of 1983 general election. DEC 1981: Liberals and SDP win 50 per cent rating in the opinion polls but then support begins to silde. JUNE 1983: SDP wins only six seats at general election. Dr Owen replaces Mr Jenkins as leader. Formal Liberal/SDP Alliance established but popular support continues to ebb.

MAY 1987: General election campaign marred by differences between Dr Owen and Mr David Steel. SDP retains only three seats and Mr Steel calls for merger with Liberals. FEB 1988: Dr Owen refuses to accept merger vote as majority

of SDP Join newly-formed Social and Liberal Democrats. MAY 1989: SDP forced to acknowledge that it can contest only a handful of seats in European elections.

MAY 1990: SDP membership down to an estimated 5,000. Party's candidate in Bootle by-election beaten by Monster Raving Loony Party.

obstinacy and personal stand-ing of its leader, and by the financial help of Mr David

A sustained drop in member-ship to a tenth of the 50,000 it once claimed and the humiliation of last month's Bootle by-election, where it polled fewer votes than the Monster Raving Loony Party, meant that the pretence that it remained a national political

SCOTTISH Power, the larger of

the two Scottish electricity companies, increased its sales of power to England and Wales more than tenfold in the first

two months of Britain's new trading regime for power.

The company, formerly the South of Scotland Electricity.

Board, has also agreed a con-tract for supplying electricity to Guinness and its subsidiary United Distillers, for all its

plants in Britain, many of which are in Scottish Power's

The deal involves supplying

power at a fixed price to distill-eries in the north of Scotland, the area of Scottish Hydro-Electric, Scottish Power's

northern rival, as well as plants south of the border.

exported about 22 gigawatt

hours of electricity to England and Wales in the first two

months of the 1989-90, its exports in April and May totalled more than 250 giga-

watt hours. Mr Donald Miller, chairman

of Scottish Power, said that the power exports would be "a sig-

own area.

By James Buxton, Scottish Correspondent

up. As a former colleague com mented: "David has one of the thickest skins in politics but even he could not stomach los-ing to a party led by someone called Screaming Lord Sutch." As friends and enemies reflected on the decision, there was agreement that, if Dr Owen long ago lost any hope of real power, he has retained considerable influence in Brit-

Scottish Power's sales increase

nificant way of increasing our sales and our profitability." He declined to say what the

value of the exports was. In the year to March 31 1989, the last

for which figures are available, Scottish Power was, as in pre-

vious years, a net importer of power from the Central Elec-

power from the Central Elec-tricity Generating Board, buy-ing £20m worth of power.

Mr Miller said that Scottish Power was only interested in exporting power when it was profitable to do so and that it still imported power from the two English generators. National Power and PowerGen,

when it was economic.

Most exports were to the
English and Welsh electricity
trading pool, rather than being
made under a contract, struck

English and Welsh distribution

companies. That contract allowed for the sale of up to

180MW of power on an option basis, under which the distri-bution companies have the

option to take power when Scottish Power's price is below

the pool price.

Mr Miller said the success of

ish politics.

For Labour, the end of the

nock is determined not to reminder of the extremist past that pushed Dr Owen and the

rest of the Gang of Four - Mr Roy (now Lord) Jenkins, Mrs Shirley Williams and Mr Bill Rodgers - Into their 1981 Limehouse Declaration. But it also holds out the hope - although not the cer-tainty - that a man who has

frequently been more scathing about Labour than Mrs Margaret Thatcher might now offer Mr Kinnock his blessing.

For Mr Paddy Ashdown's Liberal Democrats, battered by the internecine warfare that followed the merger after the 1987 election, it offers an opportunity to begin to rebuild support for a third party.

In spite of public protestations of serene indifference,

senior Labour figures agree that an endorsement by Dr Owen might be worth the votes of thousands of those who remain unconvinced of the depth of the party's reforms.

Dr Owen himself is said to believe that he could influence perhaps 4 or 5 per cent of a wavering electorate. Even if the real figure was only a fraction of that, it might prove piv-otal in what promises to be the most closely fought election since 1974.

since 1974.

The SDP leader says that the price of such backing is the commitment to proportional representation which Mr Kin-

exports emphasised the need to increase the capacity of the

interconnecting power lines between England and Scotland.

Scottish Power has drawn up plans to increase their capacity

With the ending last week of the open season for competi-tive tendering for supplies to large industrial users, Scottish

Power says that 97 per cent of its existing Scottlah customers have decided to remain with

Last month Scottish Hydro-

nuclear power levy on electric-

ity bills.

FoE estimates that the levy,

to compensate area companies for having to use higher-cost nuclear power under the rules

governing the new electricity market, will cost the average household £150 over the next

from 850MW to 1,200MW.

But as one member of Labour's shadow cabinet commented with a certain cynicism yesterday. Dr Owen has shown himself extremely

more than a chance for his party to retain its present strength at the general elec-tion, gaining perhaps the supcent of the electorate.

dios and theme park complex in Europe, to settle for a site near Paris. The French move had been expected after the slowdown in talks between MCA and its UK Guidance urged backers over plans to site the

By Eric Short, Pensions Correspondent

BACON & Woodrow, one of Britain's largest firms of actuaries and consultants, has urged the Government to give employers a clear indication of the future structure of the state pension scheme.

Electric also disclosed a sharp increase in power sales to England and Wales.

Friends of the Earth, the environmental group, will today urge the 12 area electricity companies in England and Wales to temps the cost of a ould add about 5 p payroll costs.

Mrs Miller says that employers need guidance on how to allocate their resources. Since many schemes are designed to complement the state scheme.

"adaptable."
For Mr Ashdown, the priority now must be to woo as many as possible of the remaining SDP members.
Few, though, even among Liberal Democrats, think Mr Ashdown can hope for much

port of between 10 and 15 per

Ironically, Mr Ashdown will be hoping that his party will now reap the benefit of the sce-nario which has persuaded Dr Owen to go on fighting for so long — a scenario in which a fourth successive defeat finally fourth successive defeat finally persuades Labour to embrace

persuades Labour to embrace proportional representation and thus guarantee that the mould is indeed finally broken. Few expect Dr Owen or Mr John Cartwright and Mrs Rosie Barnes — his two remaining SDP colleagues - to be at Westminster to see whether that dream too is shattered by the harsh realities of two-party politics. His friends expect Dr itics. His friends expect Dr Owen to avoid the humiliation of defeat by opting for a career outside politics.

on future of state pensions

In the firm's latest client

briefing analysis. Mrs Vivienne Miller, head of research and information at Bacon & Woodrow, points out that a recent European Court judgment requires company pension schemes to equalise benefits for all employees. For schemes with current normal pension ages of 65 for men and 60 for women, the judgment

she argues that the Govern-ment should now review and restate its social priorities.

The Rank Organisation plans to take a 50 per cent stake in the project. Plutonium screening DOCTORS working for the West Cumbria Health Authority have agreed to start radia-tion screening as part of a foe-

Rainham, Essex.

tal research programme to be carried out near the Sellafield nuclear reprocessing plant. The tests, ordered by the National Radiological Protection Board, will monitor foc-tuses and placentas in miscar-ied pregnancies to assess

Homes register

Co is drawing up a nationwide register of people wanting to arrange part-exchange of their homes for businesses. The scheme, aimed at people wanting to buy and sell hotels, pubs, shops, nursing or resi-dential care homes, is designed in the housing market.

# Vickers shows off Challenger 2 prototype By David White, Defence Correspondent

THE PROTRACTED battle

over the British Army's next tank enters its final phase this week when Vickers puts its contender, the Challenger 2, on display for the first time. A prototype of the tank, which will have to compete against the latest US, West German and French models. will be seen from today by visitors invited to the British Army Equipment Exhibition in

Most will only view it behind a Perspex screen, and nobody will be let into the turret, which is strictly secret.
Vickers has until the end of

September to meet the require-ments set out a year and a half ago in a contract with the Min-istry of Defence, which gave Britain's only tank manufac-turer a second chance to demonstrate its project's worth. The company is running a day-by-day countdown at its Leeds and Newcastle tank factories and is believed to have

eight of the nine prototypes more or less finished. The final prototype has been slightly delayed to accommodate equip-

Both Mr Tom King, the Defence Secretary, and Mr Alan Clark, Minister of State for Defence Procurement, have visited the factory in recent weeks to look at progress weeks to look at progress. A government decision is due by early December, with the British Army of the Rhine clamouring for a replacement

The Challenger 2 tank: in battle against against US, West German and French models for its elderly Chieftain tank. However the Army's requirement, originally reckoned at

up to 600, is expected to be reduced to between 300 and 350 in view of future force reduc-tions in Germany. The initial order may be only about 200. Vickers said that if it won the order it would continue to use both its tank production

Both the Chieftain and the Challenger 1, which was designed for the Iranians, are

notorious for reliability hitches. Experts believe the army's own first choice at this stage would probably be the US contender, the General Dynamics M1A2 Abrams. How-

bynamics MIA2 Abrams. How-ever, the Abrams has a poten-tial drawback in the high fuel consumption of its turbine engine. West Germany's improved Krauss-Maffei Leop-ard 2 might be a second choice. Sir Peter Levene, the MoD's procurement chief, is under-stood to have backed the US

ments of Lord Young, then Trade and Industry Secretary. in favour of Vickers prevailed in the government decision. General Dynamics has intenfinal verdict by the MoD now that the US Government has

announced plans to suspend its purchases of tanks from 1993. Royal Ordnance, the British Aerospace subsidiary that is eveloping the gun for the Challenger 2, recently made a deal to become a key subcontractor to General Dynamics if the US tank is chosen instead. Vickers Shipbuilding and Engineering (VSEL) — unconnected to the Vickers cars-to-tanks group — is also poised to play an important industrial role if the MoD opts for a foreign tank However the tank eign tank. However the tankmaking Vickers has made clear that it is not interested in a similar deal. "We will not build somebody else's product under licence," it said.

# Arms on display as exporters brace for testing times By David White

A TOUGH "couple of years" was forecast yesterday for UK arms export-ers by Mr Alan Thomas, head of the Ministry of Defence's Defence Export Services Organisation.

At a preview of this week's British Army Equipment Exhibition at Aldershot, he said spending cuts in other European countries would have a lim-ited direct effect on UK defence companies, since Europe was not a hig mar-ket for them. However, the decline would mean increased competition in

The biennial exhibition, which is not

open to the public, is due to be inaugu-rated today by Mr Tom King, the Secre-tary for Defence. The show comes at an embarrassing

moment for the UK arms business, in the middle of a stx-week pause in the the Government's own arm purchases. General Sir John Stibbon, Master-General of Ordnance, who is in charge of purchases of land weapons, said the pause covered all defence buying

"while we get our sums right."

China has been deleted from the list of countries invited to send delegations, after the internal repression a

year ago. However, Chinese diplomats in London said they hoped to attend in the expectation that restrictions on arms sales would be lifted within the next year.

Mr Thomas said about 80 countries Mr Thomas said about 80 countries were invited. "It is not our policy to say which countries," he said. "I think they would like that to be their business." However, exhibitors said Iraq, Iran and Israel had not been invited.

Mr Thomas coid a country's processes.

Mr Thomas said a country's presence did not mean it would necessarily be permitted to buy equipment on show.

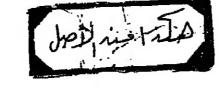
Both India and Pakistan are expected

to be strongly represented and Chile is understood to be sending a delegation for the first time since the exhibition

started in the late 1970s.
Studies were still going on, he said.
He reckoned, however, that they would not lead to "massive" cuts. The moratorium, expected to last

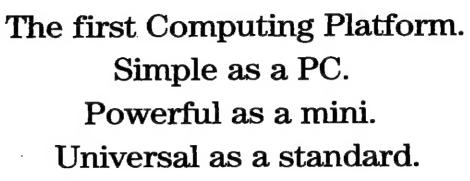
until about June 22, is not directly linked to longer-term reductions carrently under review at the MoD. The ministry is believed to be looking for short-term cuts of £350m to

offset the effects of inflation on the defence spending budget.



NCI. TIMES MONDAY JUNE 4 1990

# Olivetti CP486



Olivetti's new CP486 combines the power of a mini-computer with the simplicity of a PC.

The CP486 provides the link between existing mini-computers and PC networks, merging these 'worlds'.

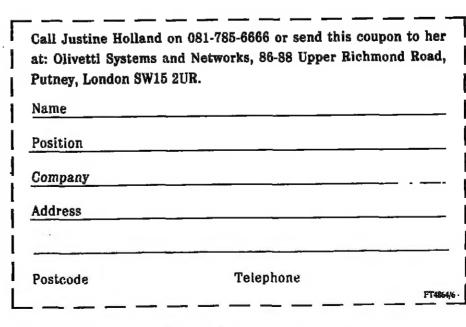
As a mini-computer, the CP486 can provide computing power for up to 50 users. It can also give you the speed that will run the most complex software faster than any PC has ever run before.

It can also power networks at a lower cost per terminal than most other computers.

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They'll help you develop an 'open' system so that the CP486 can integrate with, or replace your existing equipment.

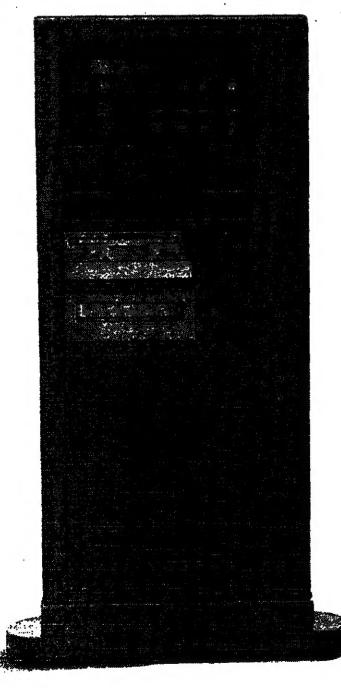
If you've been waiting for the right solution to your computer problems, the CP486 is available right NOW.



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7-7

# Economy may be starting to pick up, survey shows

starting to pick up again, with manufacturers expecting to take on more staff, according to a survey released today.

Recent indicators have shown that the economy has been slow to react to the Government's monetary squeeze, with both inflation and consumer demand remaining obstinately resilient.

In contrast, the Association of British Chambers of Commerce Quarterly Survey is the first to show that economic activity may be reviving. That is likely to cause some concern to the Government because of fears that it will fuel inflation. Among manufacturers, 14

per cent more expect to increase their number of employees than expect to decrease them, up from 6 per cent in the last quarter of 1989. A balance of only 3 per cent said they increased employment in the last three months.

The number of unemployed people increased for the first time for four years in Apriland led to widespread predictions of a return to high levels of unemployment. The survey suggests that may not be so. The manufacturing sector, which has been more depressed than the service sector on the chambers' figures. now seems to be experiencing

a small bounce-back. The principal reason for that is a surge in British overseas sales with the balance reporting export orders increasing to 27 per cent from 15 per cent in

THE UK economy may be the last three months of 1989. Domestic orders and deliveries continue to tail off, but at a reduced rate. Manufacturing have increased by a balance of only 3 per cent, compared with 5 per cent in the last survey, while the equivalent figure for the service sector is 22 per cent, down from 19 per cent. Confidence has remained at

similar levels to those of the previous quarter. Manufactur-ers' confidence in future turnover growth and profit growth has increased slightly. Although the service sector's it is from a higher base. Manufacturing investment

plans are being modestly scaled up from a low base, but only 31 per cent of manufacturers reported that they were operating at full capacity, com-pared with 35 per cent in the previous quarter. The proportion of service-sector companies reporting full capacity remained at 31 per cent.

The recovery seems centred on small businesses, which are showing the strongest growth in home orders and deliveries, the highest expectations of increased employment, and the highest confidence in turnover

The survey covers 3.821 businesses in 11 regions.

Quarterly Economic Survey. British Chambers of Commerce, Sovereign House, 212 Shaftes bury Ave. London WC2H 8EW. £45 annual subscription. £15

# **Economists oppose cuts**

By Our Economics Staff

SHARP disagreements between professional economists' opinions and government policy are found in a survey of 1,000 economists published today by the Institute of Economic Affairs, an independent research organisation. Two thirds of the economists

tions in the level of government spending, did not support the view that the main concern

of economic policy should be to eliminate inflation, and believed the European Monetary System was superior to a floating exchange-rate system.

Mr Graham Mather, general director of the IEA, said:

"Many will consider that this very thorough survey shows Britain's economists. Britain's economists trapped, in key respects, in the conven-tional wisdom of two or three

# marginalise UK regions, report says

By Paul Abrahams REGIONS beyond the south-east of England risk

being increasingly marginal-ised, according to a report on the implications of the Chan-nel tunnel issued today by the Town and Country Planning Association.

Unless there is significant investment in rail links, the report argues, the completion of the tunnel and the single European market will mean that the UK regions risk becoming increasingly perceived by investors as being on the periphery of Europe. The report also says the

south-east will suffer without additional rail investment, as roads, particularly the M25 motorway, become more congested. It says British Rail's plans to operate one train a day between the north-east, north-west and the Continent are inadequate. BR estimates

are inadequate. BR estimates that 30 per cent of tunnel passenger traffic will originate outside the south-east.

The report calls for an early decision on the provision a high-speed link between London and the tunnel; a ten-year investment programme to inte-grate the UK's rail network into the Continental system:

and a feasibility study on the viability of a high-speed TGV North route to the north-west of England.

The Channel tunnel: the case to be a continued to the c for a railway development strategy to benefit the whole of the United Kingdom. Town and Country Planning Association. 071 930 8903.

### Data studies appointment

MR Michael Earl, a fellow of Templeton College, Oxford, and one of Britain's leading management academics, has been appointed to the newly created chair of information management at the London

The chair has been spon-sored by Andersen Consulting, the information-technology arm of the accounting firm Arthur Andersen. Mr Earl will take up the post next year.

# Tunnel may | Constitutional confusion over war crime

Alison Smith says plans to allow prosecution of old Nazis are stirring up a rumpu

OR the House of Lords to vote on the general principles of a govern-ment bill is a rarity. For there to be a sporting chance that peers might throw the bill out the first time they have an opportunity to do so is the sort of stuff to make hardened constitutionalists reach for the

books on precedent.

If the Lords do decide today against the war crimes legislaagainst the war crimes legisla-tion, enabling prosecution in the United Kingdom of alleged war criminals who are British citizens or residents, it will be the first time they have voted down a government bill at second reading for more than 40

That last happened when the post-Second World War Attlee government introduced legislation to reduce the Lords' legislative powers. Those same powers may yet be invoked by the Government to ensure the passage of the present bill.

Under the Parliament Acts of 1911 and 1949, if the House of Lords rejects a government bill in two successive parliamen-tary sessions, after the second time it can go straight to the monarch for formal royal assent and then implementation, unless the Commons decides otherwise. However, in what sounds

like an attempt to distance themselves from probable political embarrassment, ministers are already explaining that the war crimes bill is not straightforward government

Although technically a gov-ernment bill, the issue is one of conscience and party whips

will not be applied.
Thus if the motion from
Lord Campbell of Alloway, a
Tory backbencher, is passed, refusing to allow the bill to proceed, that will not be a "government defeat", the argument goes. It will be more like the bill on embryo research, where the Government's job was to enable Parliament to

make up its mind.

The difficulty with the war crimes bill is that Parliament appears to be in two minds.

Although the bill was brought forward only after there had been a majority in fewers from the company to a money. favour of more than 200 among MPs in a free vote, in the Lords the heavily represented legal establishment has twice led widespread opposition to the plans for war crimes trials.



Lord Belstead: cautious on a re-run for the proposals

Late last year, when peers discussed the report from Sir discussed the report from Sir Thomas Hetherington, the for-mer Director of Public Prosecu-tions, hardly a handful of pears supported bringing in legisla-tion as the report recom-mended. Those opposed included Lord Hailsham and Lord Havers, both former Tory Lord Chancellors.

Just a month ago, when the Government proposed in legis-lation dealing with Scottish

legal matters to allow video links to be used for giving evi-dence (already allowed in England and Wales) an amendment preventing that change in any war crimes trials succeeded by more than two to one (137-62), in spite of govern-

ment support for it.

If the same lobby succeeds in killing the bill, the Government will not be drawn into an immediate statement on its plans. There are, anyway, internal differences to be

Mr David Waddington, the Home Secretary, is thought likely to press for the bill to be reintroduced next session, but the Government's business managers - particularly Lord Belstead, leader of the Lords. and Lord Denham, the govern-ment chief whip – are said to be more cautious about a

One possible approach that ministers are considering is to give MPs a free vote on whether to pursue a course that could bring constitutional confrontation with the Lords. If the Commons still strongly supports changing the law, a

clear vote to say so would strengthen the Government's

necessary making rare se of the powers in the Parhen Acts to override the Lor

While a defeat for t bill would in the short term d to the Government's poleal troubles, ironically it ses almost as many difficulti for the Labour Party in the lide Legislation in the lide

works under the "Salistry rules" - an informal age. ment hinding the opposon not to wreck or vote agast the second reading of a w-ernment bill if it is a manisto

Given the bill's awkwitcombination of being both ernment and free vote. in only way for the opposition be united and still within rules seems to be for a Labour frontbench team agree to abstain while the ackbench colleagues

allowed a free vote.

Abiding by such a "doctrie of the mandate" has cause frustration on the Labor benches during previous Tor difficulties and will do again today. Yet Labour peers scenting power more closer than for some time, will no depart from it now

# Number of homes with satellite Cleaning contractors dishes tops 800,000, study finds claim gains in NHS

By Raymond Snoddy

MORE than 100,000 satellite dishes are estimated to have been installed in the UK last month, taking the number of households receiving satellite television channels directly to

The growth in the market for satellite television comes in the latest FT Satellite Monitor, which has been tracking the progress of satellite television in the UK since Mr Rupert Murdoch's Sky Television was launched in February 1889.

launched in February 1889.
Households watching British
Satellite Broadcasting were
identified for the first time in the survey of more than 4,000 adults. A total of 132 receiving households were found - six of them receiving the five channels of BSB. The number is, however, too small to be statistically reliable. Last month's estimated rise

of 104,000 - which has a mar-gin of error of plus or minus 40,000 - takes the total to That is close to 4 per cent of households in the UK and

means that multi-channel tele-vision is now available via dish aerials to one in 25 homes in the country. Because satellite homes have an average of 3.5 individuals, that grosses up to a potential television audience

Channels such as Sky, Screensport or MTV are also available through cable television networks.

The latest forecast by Conti-nental Research, the market research company that pro-duces the Monitor for the FT, is that there will be 1.3m dishes and Squarials by the end of the year.

The trend of future demand

December, the number of peo-ple who say they will definitely or probably install satellite receiving equipment has fallen from well over 4m bouseholds to below 3m in May.
That will now probably

continues downwards. Since

That will now probably change. BSB, a consortium in which Pearson, publisher of the Financial Times, has a substantial stake, launched a £20m advertising campaign at the weekend. BSB launched its national service at the end of April, but has been dogged by a shortage of receiving equipment.

Among households intending to install satellite equipment, Sky and the other Astra channels lead: 38 per cent of such households say they will chose Skyllar 21 per cent of the control of the cent of Sky/Astra, 31 per cent opt for BSB and 31 per cent are unde-

By Alan Pike, Social Affairs Corresponde

CONTRACT cleaning com-panies in the National Health Service are strengthening their position against in-house work-forces, the Contract Cleaning and Maintenance Association says in research published today.

The Association analysed NHS cleaning contracts after a report from public-service trade unions claiming that the practice of using contractors was proving unsatisfactory. According to the associa-

tion's research, 83 cleaning contracts were awarded in the NHS in the five months after November 1989 with 39 of them being won by outside contrac-tors from health establish-ments' own teams against only

A further 16 contractors had their contracts renewed while 15 other contracts changed hands between cleaning com-

Mr John Hall, the association's secretar said yesterday that health service trade unions were tring to distort the facts about the success of

the facts about the success of cleaning companies.

A recent dolument published by five unions with members in the halth service analysed 84 case of alleged failure to fulfil pontracts by outside cleaning untractors.

Mr Hall said on 16 of the cases had occurred within the past four years. Anumber of the issues raised bathe unions had not been accepted as constant. had not been accepted as con-tract failure by NH5managers. "Our analysis sugests that there have been only a few cases which were genine fail-ures."

Contractors have bout 27 per cent of NHS clearing work.

# **US BANKING** THE WINNERS AND LOSERS

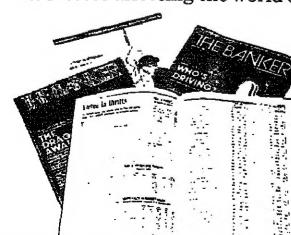
The June issue of The Banker is devoted to an in-depth report on the US banking and finance market. US banking is going through a major shake up. The economy is slowing down and the major money-centre banks are losing ground to the super-regionals. The Banker presents its exclusive and authoritative listing of the Top 300 US Banks and assesses the winners and losers.

The Banker also examines the thrift institutions and the difficulties some of them are encountering, and publishes for the first time a new listing of the Top 200 US Thrifts.

As you would expect from a Financial Times publication, the June issue of The Banker also covers other important and topical issues and presents an in-depth analysis of the Singapore and Malaysian banking systems. There is an exclusive interview with the governor of the Banque de France on the future of Paris's financial markets, and a survey on dealing room technology.



The Banker, with its regular features on capital markets, trade finance and banking technology as well as its special listings. gives readers a broad independent overview of the factors affecting the world of banking and finance.



So make sure you pick up a copy of the June issue of The Banker - and ask your newsagent to reserve you a copy of forthcoming issues. £3.50. It's required reading.

A Financial Times Publication

**APPOINTMENTS** 

# Changes at Air UK

■ Mr Bob Frost, managing director of AIR UK, has resigned for personal reasons. Mr Stephen Hanscombe, group managing director, will be taking on the immediate responsibilities for the day-to-day running of the

■ Mr Mike Flanagan has been appointed chief executive of the DEVELOPMENT BOARD FOR RURAL WALES to succeed Dr Iain Skewis who

retires later this year, writes
Anthony Moreton.
Mr Flanagan has been the
board's director of finance
since 1987. He was previously
with Telford Development

Corporation.
The Development Board was set up in 1977 to rejuvenate the economy of largely-rural Mid Wales. Mr Glyn Davies, the board's chairman, said "Mr Flancara is just the men are Flanagan is just the man we want to translate the ideas of a young, lively board and an enthusiastic staff into action to help rural Wales."

Encouragement of an enterprise culture which would help bring greater prosperity to the area would be at the forefront of his thinking, Mr Flanagan said.

"The next few years will see the advent of the single market, the continuing problems within the agricultural industry, the need for more rural housing and the problem of depopulation."



ASYSTEL SPARTEX, the UK operating arm of Asystel Group, has promoted Ms Helen White (pictured) to sales

 BENDICKS OF MAYFAIR has appointed Mr Ian
 Macintyre as finance director, replacing Mr Ian Hotchen who retires.

■ ECI VENTURES has appointed Mr David

Wansbrough as managing partner. He succeeds Mr Tony Lorenz who died recently. Mr Wansbrough was previously a senior partner.



been appointed area sales director-Northern Europe for HARRIS SEMICONDUCTOR. He succeeds Mr Geoff Hardern.

 AK INTERNATIONAL BANK has appointed the following as assistant general managers: Mr Peter James and Mr James Chesters, formerly general manager, treasury and assistant general manager treasury respectively of Libra Bank. Mr James will become the bank's treasurer and Mr Chesters will be responsible for money markets.

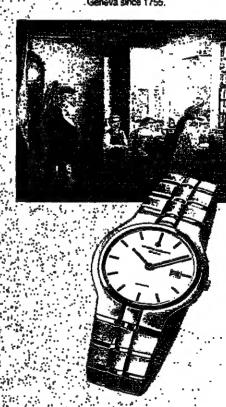
■ PREMIER CONSOLIDATED OILFIELDS has made the following changes: Mr J.A. Heath is being appointed to the board as director of finance of July 1. He is present. on July 1. He is group controller at Burmah Oil. Mr Gijs Verspyck is resigning as director of expoloration and production on July 1 to take up other activities.

Mr D.R. Jowett has been appointed works director and Mr K.A. Ramsden sales director of SMITH WIRES, a subsidiary of Arthur Lee &

■ GRANVILLE & CO, the private investment banking group, has appointed Mr Charles Arnold, a director of Unitech, as head of corporate finance. He will join the Granville board.

■ Mr Stuart Hallam has become sales and marketing director, communications systems at PHILIPS BUSINESS SYSTEMS. He was an account director for the BT businness





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**BRITISH VIRGIN ISLANDS** The Financial Times proposes to publish a

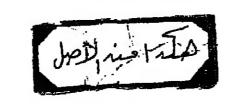
Survey on the above on JUNE 29th

For a full editorial synopsis and advertisement details, please coltact:

NIGEL BICKNELL

on 071-873 3447 or write to him a Number One, Southwark Bridge London SE1 9HL

FINANCIALTIME



# ad for the SDP con Smith Con Smith He indicated that any move atrist political group, ay voted to abandon its ar attempt to break the of British politics. He indicated that any move towards the Labour Party would hinge on its commitment to proportional representation and constitutional secretary of the GMB general union, said membership of the

party's 25-strong al Committee voted by wind up the party's after a four hour emer-

ment to proportional representation and constitutional reform. The SDP's plight has partly been caused by Labour's success in projecting a more moderate image.

The SDP was formed when

both former Labour ministers. The first tensions emerged

The first tensions emerged after the 1983 election when Dr Owen replaced Mr Jenkins as the party's leader, vowing to create a radical centre party politics, which critics accused of being "sub – Thatcherite."

After the 1987 election, which the SDP fought in an fractions alliance with the Liberals. Dr Owen refused to

erals, Dr Owen refused to accept a full merger of the two parties.

A majority of the SDP's members joined the newly formed Liberal Democrats leav-

ing Dr Owen with a dwindling band of loyal followers.

Hybredit Mortage Bank . Provincial Bank PLC ..... R. Raphael & Soss ......



Owen, with Rosie Barnes MP, yesterday

BASE LENDING RATES

SDP, which was sed in 1981 with ambiof British politics, will e with only 6,000 memfull-time staff of eight, MPs and an ignomination of the former Labour Mrs Shirley Williams and Mr Bill Rodgers, both former Labour ministers. MPs and an ignominious in place in the recent by election when it fin-seventh behind Screamrd Sutch's Monster Rav-

ony Party. David Owen, the SDP's

Javid Owen, the SDP's emerged from the meet-termined to put the best the party's descent into all oblivion. ked by his two parlisty colleagues — Mr John light, MP for Woolwich rs Rosie Barnes, the MP enwich — Dr Owen said. enwich - Dr Owen said ould work in parliament team of independent

# wen resignation Union leader warns of wage gnals end of the rises and job losses in ERM

By John Gapper, Labour Editor

union, said membership of the ERM would prevent Britain devaluing sterling to offset the inflationary effect of wage increases which added to unit

wage costs.

He said wage restraint agreements would not be possible under a future Labour government, but unions should ment, but unions snown instead concentrate on winning pay increases for mem-bers in exchange for productiv-

ity improvements.
Unions had in the past tried to retain work demarcations which limited the chance of members expanding their

Mr Edmonds' remarks, on the opening day of his union's annual conference in Scar-borough, on the English north-east coast, constitute one of the classical union state. north-east coast, consumue one of the clearest union statements that wage rises not offset by productivity increases can lead to job losses.

He was speaking after delivering a speech in which he suggested that unions should help create a new atmosphere.

help create "a new atmosphere of opportunity, where ingenu-ity is rewarded" rather than commit themselves to general wage restraint.

Mr Edmonds said a Labour government would have to establish pay arbitration mechanisms in the public sector to enable unions and managers to decide on pay independently once the government had allo-cated overall funding.

He said public sector unions, including the GMB, would have to resist an "elbow tugging, insider dealing approach to public sector pay in which pressure was put on a Labour government if managers resisted wage demands.

He said most GMB members

had "little chance of advancement, however hard they work." If more people could see a possibility of their pay rising through promotion, pressure on pay rounds would decrease.

# **Thatcher** welcomes Iran 'olive branch'

By our Political Staff

MRS Margaret Thatcher yesterday said Iran was hold-ing out an olive branch which could lead to talks over restor-ing diplomatic relations and obtaining the release of the

obtaining the release of the British hostages.

The Prime Minister's comments followed reports from Iran which suggested that if Britain were to condemn "the insult to Islam" contained in The Satanic Verses, by Mr Salman Rushdie, then progress might be possible.

Mr Sayed Husseln Musavian, an Iranian foreign ministry official, was quoted in a newspaper interview yestenday as saying: "We are seeking the further release of all hostages on humanitarian grounds."

He added: "If Douglas Hurd, the Foreign Secretary, would make it clear that the Government of the United Kingdom respects Islam and Moslems and condemns insults to

respects Islam and Moslems and condemns insults to Islam, which is what the Rushdie book did, the biggest obstacle to British-Iranian relations would be removed."

Mrs Thatcher said: "We have sometimes had false hopes raised before [but] it looks as though this is a significant olive branch put out to us."

THE LACK of rented accommodation in the UK comreported such extreme difficul-ties "that they have virtually abandoned attempting to relopared to much of the Continent s one of the problems facing cate personnel." British employers seeking to relocating employees, accord-ing to Reward, the consultancy

Rented space shortage

hits UK companies

By Lisa Wood, Labour Staff

Relocation of employees, with the almost universal prac-tice of employers compensating

employees if they are being relocated at the company's request, is one of the several areas examined by Reward in

its survey of Employee Bene-

Benefits had grown at all

levels with many employers seeing an improved benefits packages as a response to the

problems of skill shortages and

demographic change, the report says. This was a shift from the position in the 1980s when the reduction in direct

taxation and increasing taxa-tion of benefits initiated a

move away from benefits towards "clean cash."

Reward said there were sev-eral reasons for companies

career of a spouse.
On the latter Reward said a

number of companies had

Reward said the average cost of relocating an employee within the UK was £10,000. For ing that some employers stipulated that some or all of the relocation payments must be repaid if the employee left within a fixed period.

A reduction in the working

week - with a steady decline in the contracted numbers of hours was also reported by Reward which said the trend was not so obvious during

Noting the campaign by the

Noting the campaign by the Confederation of Shipbuilding and Engineering Unions, Reward said the issue had been a major problem facing employers in 1989.

THE executive of the Confederation of Shipbuilding and Engineering Unions (CSEU) on Thursday will discuss how to extend its campaign for a shorter working week to GEC, the electronics and defence group.

having difficulty in moving employees – from a lack of rented accommodation in group.
GEC was outside the original group of companies targeted by the CSEU for its campaign. This was because GEC is not a member of the Engineering Employers Federation and the CSEU has no bargaining responsibility there. which to put staff, problems in selling properties – with the bottom baving fallen out of the housing market – and the

# Productivity up by 45% at dock

THE ABOLITION of the National Dock Labour Scheme number of craftsmen and a has led to an increase in labour pool of "general port workers". productivity of 45 per cent at Hartlepool Dock after the port authority reduced the number of stevedoring workers from

The port, on the English north-east coast, has replaced its former group of stevedores who carried out only legally-

pool of "general port workers".

The port has recruited a new workforce after all its former registered dockworkers left under the statutory redundancy scheme established by the Government as part of the abolition of the Dock Labour Scheme, which guaranteed jobs for dock workers.

Mr Joe Rayner, personnel manager of Tees and Hartle-pool Port Authority, said yesterday the new port workers had "exceeded the wildest expectations" of managers, reaching forms productivity. reaching former productivity levels within two months of joining. Productivity measured as tonnage handled per employee had now rised by 45



# A Western hotel in Moscow was inevitable. The challenge was being first.

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t the Annual General Meeting held on May 31, 1990, it as decided to pay a dividend of US \$ 0,10 (ten cents) r share on or after June 20, 1990 to shareholders of cord on June 06, 1990 and to holders of bearer shares non presentation of coupon No 3.

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Local management in schools

# Why headteachers are now facing a learning curve

Christina Lamb reports on organisational changes in UK education

from handling a yearly budget of around £45,000 to one of more than a million pounds. She had not just taken over a large company, nor was she a business executive who had just been promoted. In fact she had almost no accounting experience. At that time in 1983 West was headmistress of a Peterborough school - one of six involved in a pilot scheme - which had just been given control of its own

A revolution is occurring in the British classroom. In Nuneaton, Manor House school is offering discount showers to parents who enrol their offspring. John Mansfield school in Peterborough is buying advertising airspace on the local radio. A compre-hensive school in North Wales is making a profit of £40,000 a year after becoming a limited company - the

first school in Britain to do so. While the outcry over the introduc-tion of the National Curriculum has contributed to the turmoil in teaching circles, the decision that from April the majority of schools in England and Wales should run their own budget has caused the biggest educational shake-up since the Second World War.

The Government's scheme, known as LMS (local management of schools), will transform heads with no accounting experience into executives handling millions of pounds; they will have to learn management techniques and ways of selling their product. By 1993 local education authorities (LEAs) will have delegated responsi-

bility for the management - including control of finances - to all secondary schools and primary schools with more than 200 pupils. Headteachers will be in a strange

position. Working in tandem with the board of governors, they will have complete responsibility for hiring and firing, appeals against unfair dismissal and any other complaints wil still have to go to the LEA. Schools will carry the can for over-spending on their budgets but will

have no control over the amount they receive, most of which will come from LEAs on a per capita basis. Although more pupils means more money, schools will have little flexibility over

how it is spent.
West. who is now the warden and head of impington Village College which adopted LMS in 1987, points out that for a school of 1,000 children, her budget of more than £1.5m must cover staffing costs and overheads:

vernight Sylvia West went after that only £71,000 is left. Of this to take out an advert on the local exams eat up £22,000 and the balance must pay for postage, curtains, deco-

> West complains that the capitation formula does not take into account the fact that in catchment areas with brighter children more exams are taken; she is worried that the introduction of the National Curriculum will mean even more being spent on exams, thus forcing cuts elsewhere.

Financing arrangements can widen social inequalities. Schools in wealthy towns pull in cash; they recruit financial wizards onto their boards of governors; they get contributions from parents and are able to charge high fees for leasing facilities for anything from wedding receptions to aerobics

Moreover, basing the budget on pupit numbers will inevitably cause tension between local schools competing for children in areas of falling rolls. This happened in the town of Peterborough - where the first pilot schemes were held. Cambridgeshire - Peterborough's LEA - delegated budgets to six secondary schools and one primary school in 1982. In 1987 the scheme was extended to all 48 secondary schools.

LMS requires heads to change their role totally; they will have to learn even faster than their pupils. It means they will have to take on far more administrative responsibility – which can in turn detract from their role as

Alan Atkins, headmaster of Crom-well College in Chatterls, finds himself spending four evenings a week at meetings and more than 50 per cent of his time in the school on administra-tion – more than twice as much as before. "I regret that trying to cope with doing far more administration and keeping up my teaching commitment means that I no longer have time to sit back and think about the

school in the way that I used to."

The desire to attract more pupils and thus increase the budget has changed the educational ethos; of the way they market themselves. Atkins explains: "We are baving to think of the school as a commercial enterprise. We see as important the way we present ourselves on printed matter sent to homes, getting publicity in the local paper and attracting pupils. Our way of looking at things has totally changed. For example, before we would never have dreamed of advertising but now if it costs £400

radio, but it attracts two pupils each adding an extra £1,700, it's worth it." The Impington Village College is

constantly looking for ways to make money; it leases classrooms, sells advertising on the sides of its bus, and is currently considering becoming a limited company, providing high quality printing.
"We are much more into entrepre-

neurialism. Words like promotion and marketing have become common cur-rency overnight. Entrepreneurialism must be part of the agenda and the whole staff must be geared up to it -but there is a fine balance. At the end of the day we produce people not products," says West.

West has set up a business manage-ment team and employed professional fund-raisers who are busy seeking sponsorships and running a drive to raise money for building a sports complex. Ancillary staff form the core of the team; many have had to expand their roles - the school secretary, for example, is also promotions officer.

All this has resulted in some suc-cess. A local business society is sponsoring a minibus, another firm is pay-ing for sportswear in return for having its name displayed on jerseys, and another is sponsoring the school

eads have had to become far more cost-conscious. West explains: "A leak in a shower has become a matter of much greater urgency because now we are having to pay for all that wasted hot water instead of it being lost in the LEA

West is enjoying the challenge; she says it has forced her to move her performance up a gear and meant staff taking on new responsibility. "I don't try and make all the decisions; see myself more as setting the direc-tion and course. It's a massive oppor-

tion and course, it's a massive oppor-tunity to control and direct resources but having said that resources are very tight."

The government argues that under LMS heads gain greater freedom to run schools; they are freed from the bureaucratic inefficiencies or ideologi-cal whims of LEAs. The market forces which force schools to fight for purills which force schools to fight for pupils as a means of increasing their budgets are intended as a spur to excel-

But Atkins points out there is little room for manoeuvre in improving the school: "if I get the six-monthly bud-get printout and see I'm overspending



Sylvia West: controls a budget of more than a million pounds

on teaching staff there is not much I can do, because I can't reduce staff till the end of the financial year. An awful lot of money is accounted for by the national curriculum; there are certain teachers and new equipment

we must have."

Though broadly in favour of the LMS scheme, Atkins believes the details have not been properly worked out: "There is great potential for divisiveness and damage. Previously if unpleasant decisions had to be made it was done at Shire Hall [base of the Cambridgeshire LEA]. Now we have take them within the school and take the blame.

Both West and Atkins have found this means that there must be a more open environment. Atkins, who has been headmaster at Cromwell for seven years, explains that this can have its advantages. "I know much more about what's going on inside and outside the school than I ever did." The staff are consulted far more and a specially set-up staff finance committee meets to make recommendations before the governors' finance committee meets. West says: "If we had to make cuts the staff would be

asked for ideas first."
Under the LMS scheme, the LEA is Under the LMS scheme, the LEA is supposed to change from being a hands-on manager to taking an advisory role: allocating the annual budget, helping with long-term planning, monitoring academic performance, and providing back-up. However, West says that as she tries to raise trucks the finds invenceingly that funds, she finds increasingly that what she needs is legal and commer-cial, not educational, advice.

Both West and Atkins are concarned about the speed at which the change is occurring - most schools must adopt LMS by April 1993. West points out that the schools in the pilot scheme have been participating for almost a decade but they are still experiencing problems. Atkins com-plains: "It is not just a question of adopting the scheme; it's a whole new way of operating. Remember, we're starting from a base where people are just not used to the environment of decision-making. If someone is going to take on this extra work and respon-sibility there should be some comeback and feeling of achievement, but if one is in a situation where the LEA is constantly looking to save money,

that's demoralising." Not only does LMS create extra bur-Not only does Land create extra but-dens on heads who are, on the whole, insufficiently trained to cope with it, it also places extra responsibility on governors. Every local authority school in England and Wales has a governing body which helps the head run the school Members tend to be either level worthing who lack busieither local worthies who lack business nous or businessmen with no time for frequent meetings.
Some have suggested bringing in

professional managers as has happened in the NHS, but Atkins rejects this: "We need people who have come up through the teaching world and understand what schools are trying to

do."

Heads of the future face a tough management challenge; they will have to keep up morale and find new sources of revenue in a period of dwindling finances. Atkins feels he is running a business where the people controlling the money flow (the councillors) do not care about the finished product (the pupils). "In business, if, by investing in production costs, the product can be made more attractive, then the directors will agree. But in then the directors will agree. But in schools the people controlling the money are not selling a product but selling themselves to get votes."

# Management abstracts

The recycled LBO: a second dose of leverage. SE Cummings in Mergers & Acquisitions (US), Nov(Dec 89 (4 pages)

Suggests that, when the owners of a company purchased through a leveraged buyout wish to cash in on the proceeds, other leveraged buyers may be the most willing takers; identifies the reasons for this - inter alia - if the company appealed to leveraged buyers first time round it is likely to do so again.

Dealing with the problem manager. KM Golden in Per sonnel (US), Aug 89 (6 pages) Homes in on the manager

who continually creates problems where none had previously existed and who suffers from personality problems. Cites some examples: the aggressive manager (loyal only to him/herself), the "stew-stirrer" (gossip, favouritism, not giving job definition) and several others. Identifies costs to the organisation in terms of the bottom line, because of turnover or dysfunctional behaviour. Provides a case in point of a manager suffering from insecurity and emotional dependence on his staff; con-siders options for dealing with him and options for the employee working to the man-ager. Advises that, at selection, greater attention should be paid to applicants' personalities in terms of self-worth, sense of humour, and emotional problems. The return in the child-care

investment. C Ransom & others in Personnel Administrator

(US), Oct 89 (4 pages)
Suggests that the benefits to an employer of a child-care centre can be evaluated in terms of its effects on absenteeism, maternity leave, turnover recruitment, work performance, morale and public relations; reports that when the Union Bank of California assessed the benefits of a recently opened centre based on these parameters, it estimated it was achieving savings greater than the operating sub-sidy it granted to the centre and sufficient, also, to repay the capital investment on the

centre and facilities. Company catering and the "branwagon". K McDermid in Personnel Management (UK)

Dec 89 (4 pages)
Examines the trend towards healthy eating, and the way leading UK contract caterers are reacting to it - jumping on the branwagon. Stresses that healthy catering should not be a low priority for managers. some antagonism from con sumers.

Performance appraisal system: Deming's deadly disease Ru Moen in Quality Progress (US) Noc 39 (5 pages)
It is Deming's view that

appraisal systems (which now. ish a win-lose philosophy) are extremely narmful. The proposition here is that they should be abolished because they sat. isfy neither the needs of employees nor managers, are costly, and impossible to administer because managers do not possess the correct skills, while there will always be an element of ranking peo-ple. Sees a need for appraisal to be ongoing and from various sources (peers, customers, whoever), to not be linked to salary and to be a co-operative exercise. Presents examples of good appraisal practice at eg American Cyanamid.

How ready are your employees to be involved? SJ Cabot in Supervisory Management (US) Nov 89 (4 pages)

Presents a method of determining the required degree of employee involvement, depending on the present skill levels of employees. Entitled the "employee involvement readi-ness matrix", it is a two-step analysis and evaluation tool that relates a learning contin-uum (interpersonal relations, group process/problem solving employee relations) to an employee involvement continuum (co-operative goal-setting, employee idea system, focused task forces...).

Computer viruses: protect and survive. BJ Spaul in Accountancy (UK) Apr 89 (6 pages)
Discusses the recent atten-

tion given to computer viruses and advises on the setting up of a structure of controls and standards to protect systems and help them survive if contaminated. Uses analogies with the medical profession. No-nos in negotiating with the Japanese. RM March in Across

the Board (US) Apr 89 (8 pages) Examines practical difficulties in conducting business negotiations with the Japae, among others, interpersonal communications, culmisunderstandings. differences in tactical approach, and unwillingness to discuss detail; illustrates with a case example of a negotiation which fell apart.

Those abstracts are condensed from abelracting lournals published by A Management Publications Lournald of the original articles have no obtained cost of CS each (including VAT and great with order) from Anbar, 87 Foller I Bradlons, West Yorkshire BDS 98Y

# LEGAL COLUMN

# Cryptic clue to the value a firm places on its lawyers

By Robert Rice, Legal Correspondent

THERE HAS BEEN much talk recently about the "greening of had always assumed meant that lawyers were busy jumping on the environmental bandwagon. I now know, of course, that it refers to the col-our that the majority of the profession turned on reading that a medium-sized firm of City solicitors was advertising a partnership vacancy for a commercial property lawyer at between £100,000 and £300,000 a

The advertisement should not perhaps be taken com-pletely at face value. The firm, which remains anonymous, is clearly trawling for commer-cial property lawyers right across the spectrum and will offer a partnership package worth £300,000 only to some who has already achieved senior-partner status in another firm and who has a considerable reputation and following in the commercial

property sector.
If, as seems more likely, the advert only succeeds in attracting lawyers at a junior-partner or senior-assistant level, the earnings package on offer is likely to be nearer £100,000.

One of the curious aspects of the advert is that a firm should be prepared to pay so much for a commercial property lawyer when there has been an undeniable downturn in the entire property sector. There is perhaps an argument for saying that at a time

when good-quality commercial property work is becoming scarcer, it makes sense to try and grab a bigger share of what is available by attracting the best commercial property lawyers to come and work for

No doubt, too, the firm concerned would argue that who-ever gets the job will be expected to more than earn his or her keep by bringing in a substantial quantity of new work. Nevertheless, £300,000 seems a great deal of money to be offering any property lawyer at

It makes you wonder what sort of money the big names in the corporate insolvency field could command, given the huge increase in corporate insolvencies and company liquidations in the first five months of this year. Just how much then do lawyers earn?

One thing that the advertise- Two to three-year qualified Flom came to review associment does tell us is the range medium-sized City law firm.
That they are advertising the tants - five or more years post-qualification - up to post at up to £300,000 suggests about £80,000. that such a salary is roughly what the senior partners in that firm are taking home. It seems most unlikely that they

rule out the possibility of hir-ing a senior assistant solicitor,

average executive pay in the UK? According to a study of European executives' salaries carried out by European Remuneration Network and pubwould bring in someone at a level of earnings higher than the firm's highest-paid partner. At the other end of the scale, the firm does not appear to lished in the FT's Jobs Column on May 23, the salaries of UK managing directors of organi-sations employing from 250 to 1,000 people were as follows: in which suggests that £100,000 is the lower quartile, basic salary

First year partners can expect to earn about £100,000 rising to about £300,000 after 10 or 15 years. There are some exceptional individuals who command more, but they are few and far between. In general £300,000 is about top whack. At the bottom of the heap we know what trainee solicitors and assistant solicitors earn in the large City practices because they publish the figures. Trainees starting this September with the top 10 can expect between £15,500 and £16,000 and first year, qualified assistants about £25,000.

roughly what first-year part-ners earn in this particular

firm.
All of which raises the question: if that is what partners in medium-sized City law firms get, how much do partners in the top 10 firms earn?

The answer is probably not a lot more. Size of partnership has never been a good indicator of what the top people take out. Indeed, in smaller firms where partners have a bigger slice of the equity, partners can draw as much as if not can draw as much as, if not more than, their counterparts

in the larger firms. Unofficial soundings suggest that the figures in the adver-tisement provide a pretty accurate picture of the earnings of partners in most of the top 10 City law firms at the moment.

First-year partners can expect to earn about £100,000 rising to a cut-off point after 10 or 15 years of about £300,000. There are some exceptional individuals who command more, but they are few and far between. In general, £300,000 is about top whack for City law-

At the bottom of the heap we know what trainee solicitors and assistant solicitors earn in the large City practices because they publish the fig-ures. Trainees starting this September with the top 10 can expect to earn between £15,500 and £16,000 and first-year, qualified assistants about £25,000.

£45,000, total cash pay £51,581; median, basic salary £52,416, total cash pay £57,000; and in the upper quartile, basic salary 257,293, total cash pay £69,391. For heads of finance the figures were: lower quartile, £28,000 and £30,000; median, 232,000 and 234,740; and upper quartile, £37,428 and £41,240. So, by and large, solicitors –

How does that compare with

certainly commercial solicitors - do very well. As the boom years of the late '80s fade into memory, however, can they continue to pay themselves so Although there is nothing

yet to suggest that they may actually have to take a pay cut, there are sufficient signs of a downturn in work to suggest that salaries and partners' earnings may have to remain fairly static over the next two or three years.

Those firms which diversi-fied during the good years may find it easier to buck the trend than those which grew fat on the go-go areas of corporate finance and commercial property alone.

Certainly, looking across the Atlantic – where lawyers are that much more open about their earnings - a trend towards some tightening of the belt appears to have begun. Both the American Lawyer

magazine and the National Law Journal reported recently that when New York's Skad-den Arps Slate Meagher &

assistants can command ates salaries for 1990, the partpaying the going rate for New York if the firm's pension contributions were included when calculating associates' pay.

In lieu of a rise this year, the firm offered associates the option of doing away with their pension plan in exchange for taking the money as straight salary. The junior associates, up to four years qualified, voted overwhelmingly to take the contributions

- equivalent to about 5 per cent - as salary. However, the more senior associates were split and will vote again.

The associates complain that while first year salaries of \$83,000 (£49,270) match the going rate, in subsequent years they lag behind the rates pald by larger competitors such as Cravath Swaine & Moore, Davis Polk & Wardwell and Sullivan & Cromwell - the firms generally considered to be the top payers.

With a 5 per cent increase, a second-year associate will now earn \$96,600, but that is still nearly \$5.000 a year less than second year salaries at Cra-yath, Davis Polk and Sullivan & Cromwell. A seventh-year associate at Skadden will earn \$180,600, including the pension contribution, but that is sull between \$10,000 and \$14,400 less than seventh-year associates at the other firms.

The American Lawyer estimates that by not matching the salaries of its 655 non-firstyear associates with those of its competitors, the firm is saving as much as \$4m a year equivalent to 2 per cent of its 1988 net profits or about \$18,000 for each of its 223 partners.

As one associate complained to the magazine, pension con-tributions were never before considered as part of salary. Partners "making a million dollars a year are nickel and diming us"

Craveth held a similar vote among its associates in March, but they opted to continue with the pension scheme.

Hard Times? You can begin to see what was at the back of Dick's mind in Henry VI, Part 2, act IV, scene ii.

"But methinks he should stand in fear of fire, being burns i the hand for stealing of



The success of Taiwan and China Airlines is based on their

careful cultivation of talent

The constitution of the Republic of China on Taiwan regulars 15% of the national budget be spent on education. The nation i pasts one of the highest levels of education per capita in Asia.

China Airlines shares the same traditional respect for education as its homeland. Pilots for the arrine come from the military. with a minimum of 15 years of flying. China Airlines, crew training is so highly regarded that other regional airlines have their personnel trained at China Airlines, facilities, China Airlines comnumera to calent is further underscored by the completion of a multi-million dollar state of the art Boeing 747-400 simulator

training facility last year. Next time you fly to Asia remember. China Airlines - where a tradition of excellence supports each flight.



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NCIAL TIMES MONDAY TIME 4 1990

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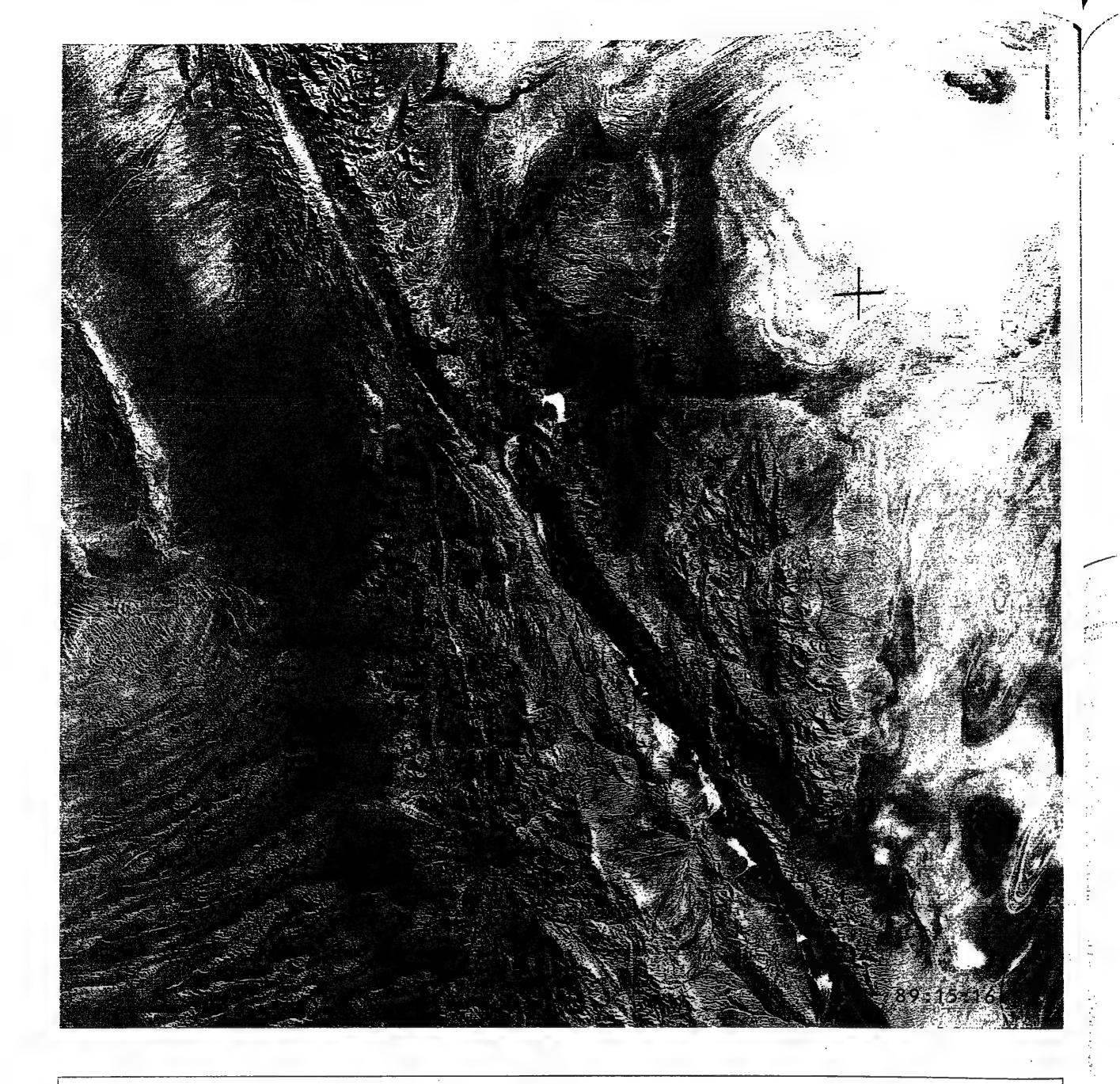
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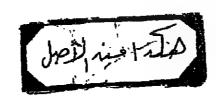
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For all our tomorrows.



# CHITECTURE

# essons to be learnt rom a tropical climate

difficult for architects ing in the commercial i to advance the art of the commercial in the commercia I to advance the art of tecture by experiment. I carticularly struck by this ally unappreciated probable in the architect yeang in London recently, is well known for his radwork in Malaysia, but of his ideas are equally cable to architectural opment in the west. Conation with a tropical cliation with a tropical clihas concentrated his on the need for new

ings to act as "environ-al filters:" this is not just hnological need but one determines both the form language of the architec-

mate has always deter-d the forms of traditional ings in the tropics. This is a factor that was fre-tly forgotten by modern tects trained in the west imposed alien styles and nologies upon cultures for a "modern" and pro-ive image.

n Yeang and his practice, Hamzah and Yeang Sen-n Berhad) have designed remarkable buildings in ysia. He has been fortuwith his clients as some of have enabled him to riment on a large scale. of the major preoccupa-of this architect has been high rise block which,

pur today shows the soaring results of the incredible building boom of the 1980s. Mrs Thatcher expressed her delight at the appearance of the new city skyline and enthused about its cleanliness, but her views on the appropriateness of air conditioned buildings

that guzzle expensive energy are not recorded. Ken Yeang's first high rise was built in the mid-1980s, the Plaza Atrium in Kuala Lumpur. As a response to the tropics, the atrium area is not inside the building but between the inside and the outside — adapting the idea of a wide colonnade to the vertical

high rise:
The high space is roofed by a filter of louvres that allows hot air to escape and sunlight to be

diffused.

In his subsequent high rise, the recently completed IBM Plaza, Yeang has been much more adventurous. He has achieved the greening of a sky-scraper by the creation of a 24-storey diagonal garden that clambers from balcony to balcony the entire height of the block. With the application of automatic watering Yeang has automatic watering Yeang has been able to ensure that it

remains green.

IBM Plaza is adventurous in other ways, too. By projecting floors above one another some-

what like a displaced pack of cards. Yeang breaks the sur-face of the normally smooth block and enlivens it. Shading from the intense sun is also provided this way. By placing his towers of lifts and stairs on the east and west sides of the building, cooling shadows are cast and the offices can be ori-ented north/south to maximise

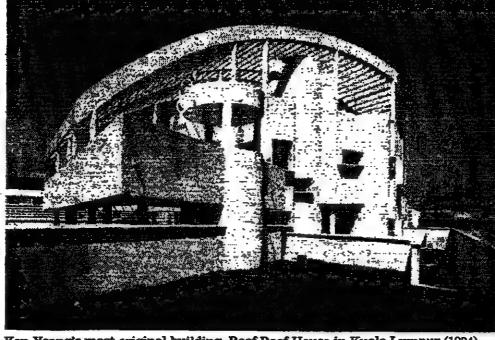
The large quantities of planting help to insulate the walls of the block and thus save energy. The views from the offices on to the planted terraces are also extremely attrac-

scraper is not new: Roger Ferri in New York designed, some time ago, a spiral tower grandly and extensively planted on a rising ramp of ter-

races.

Yeang has also challenged the zoning conventions of city planners in a way that certainly offers salutary lessons to London planners. In his Northam City project near Penang a 24-storey block is divided between offices, residential and a "town club" on the top four floors. This facility should surely be emulated widely. There is a swimming pool, squash courts, restaurants and squash courts, restaurants and bars that are extremely well

How long can we continue to build acres of cities that are dedicated solely to the office?



Ken Yeang's most original building, Roof-Roof House in Kuala Lumpur (1984)

Token "retail" is about as much as the average British estate agents will contemplate to enliven the office desert.

to enliven the office desert.

Ken Yeang's most original and exciting building is his own house in Kuala Lumpur. Climatic factors shape the building. He calls this house the Roof-Roof house because it is dominated by the great oversailing open louvre roof that spreads above the flat roofs and pool terrace of the house beneath; the baffle of the louvre roof provides a constant dappled shade on all the terrace areas. The outer curved roof is the solar filter for the entire house, within which entire house, within which there are moveable elements that create a micro climate

adjusting to the wind. The pre-valling wind from the south east blows over the swimming pool and is cooled.

The house owes a lot to the white architecture of Le Corbusier and the work of later prac-titioners like Richard Meier in the US. The whiteness and simple geometry is highly appro-priate to the climate where intensity of shadows adds a fourth dimension to architec

Yeang's work is known in Britain mainly through his visits and lectures. It is clear that he offers some practical and useful experimental ideas. He has looked afresh at the tenled glass box with its dublous thermal performance and offered

some imaginative alternatives. As awareness of climatic changes grows, perhaps the conventional vast high rises currently under construction throughout the world are quickly going to look out of date and greedy for scarce

The prospect of giant projects like London's Canary Wharf rapidly becoming white elephants is a real one. No developer wants to take huge architectural risks on such a large scale but the time has surely arrived when some care. surely arrived when some careful experiment, perhaps on the Malaysian model, would be in

Colin Amery

### afe in 'ur Hands ST YORKSHIRE **YHOUSE**

2dy, least of all one with a Eical axe to grind. One if of a hospital ward, and I half Marguerite Gauthier ill haif), half Florence itingale.

a complex master-blend tailed evocation and satire 'ran Thompson, overcame :t once. The ward and cor-:s; the sister's and hospital ager's offices; the lift, the walls: they're all perfect. in perfect hospital letterthere are the names of the is - Gallipoli, Somme, kirk. (This one's Passen-A sign points the same to both Cafeteria and Mor-

play, a gloriously black th inhumanity. Ill patients alled out of bed too soon; a placent smoothie surgeon ling a cigar as he walks a the operating theatre; a etically incompetent hospianager, tie tucked into his boasting "We're up to cy league;" his wife, the gry-basilisk ward sister, ing an affair with the sur-

in Our Rands, which is y de la Tour's third play r winning second prize in LWT new plays competi-last year, this is its world

is brilliantly ingenious, n the plot, with convul-ly funny flights of horror, s off. The cases of the mis-n visitor, of the mistaken nded hero, of the mistaken or. Which patient? Whose her? Whose visitor? Whose ose? Whose gangrene?



Donna Wilson and Sandy McDonough

Susie Baxter (the ward sister) and Lionel Hast (the surper) and Lionel risst (the sirgeon) inject the largest doses of caricature into their portrayals but to good effect. Alan Cowan (the harassed hospital manager) and Sarah-Jane Holm (the staff nurse) and the others all descriptors are large. others all deserve praise. Jude Kelly has rehearsed everything. Though some ensembles are at present more amusing for clockwork intricacy than as spontaneous mayhem, this production is already an uproarious mix of realism and out-of-

hand shock comedy.

"In the spirit of Aristophanes, the political farce exposes the public deceivers amongst us," claims a regrettably duil programme essay by Julian Wolford.

"The dramatists can be as accommod to the public deceivers amongst us," claims a regrettably duil programme.

But dramatists can be as economical with the truth as politicians and civil servants. Plays do not expose, they merely portray. Were Euri-pides and Socrates "exposed as public deceivers" just because Aristophanes lampooned them?

de la Tour's digs at what That cherism has done to our health

You need to be pretty dumb if you believe de la Tour's slanted set-ups "expose truth." But is his portrait of the

Health Service true?
The play's worst creep is the surgeon: he's sold his soul to the cause of private health. He'll do arterial bypass work to save a gangrenous private health foot, but will only amputate a National Health one. At first, these exaggera-tions don't much help the play's political bias. (As com-edy, it seldom palls.) De la Tour however, dares to

go on exaggerating. And his masterstroke comes when, in a crazed fantasy, the surgeon describes his producer-con-sumer health schemes in Darwinian-Nazi terms. This med-ico ends up on a table-top, proclaiming "The survival of

Alastair Macaulay Room with ease. The top of her voice is especially attractive,

# Berlioz Requiem

### PESTIVAL HALL

Once in every generation we should have the chance to hear should have the chance to hear Berlioz's Grands messe des moris performed with its full forces at Saint-Louis des invalides in Paris, for which it was conceived. In the great central cross of the building the four brass bands and 18 timpani could be laid out as the composer intended and the work attain the heights of aural magnificence to which it saures.

aspires.
This is a Requiem for special occasions and the Festival Hall performance on Friday met at least that requirement. The concert, not part of a regular series, was given in aid of The Samaritans and Befrienders International. Serge Baudo, founder of the Berlios Festival in Lyon, had been engaged and there was every hope that the musical standard would rise to

the occasion, even if the venue their could not.

The Festival Hall is a poor substitute for the chapel of the invalides — too short a reverberance, too sharp a clarity. But an attempt was made to meet Berlioz's other demands, with the brass bands placed two on each side and eight timpanists (half his optimum total) ranged along the back of the platform — easily enough volume for a hall of this size, especially for those sitting in the stalls.

At such an event it is difficult to make criticism of performers who have given their services. But it has to be said that the choral singing of the combined Pro Musica Chorus and London Choral Society left a lot to be desired. Entries and intonation were often suspect, especially among the tenors,

opera performance. The extracts are too short and a pianist (Christopher McCracken) is no substitute for an orchestra. But on this occa-

an orchestra. But on this occa-aion we seemed even further from the opera-house than usual because only Miss Brath-waite really looked and moved like an opera-singer, noticeably so when she came to duets with the other two scheduled

with the other two scheduled singers, Harriet Roberts and Neal Davies.

In purely vocal terms they showed their strength in solo work: Roberts displaying an easy upward extension to her messo and Davies making a stalwart job of his aria from

and sections such as the open-ing of the "Quid sum miser," where the music should unfold with serenity, bettered instead on the brink of a precipics.

The Young Musicians Symphony Orchestra fared better and seemed to have profited from work with a conductor who has an innate feeling for how Berlioz at his most idio-syncratic should be shaped and

Nothing that Baudo did was emptily marmoreal or inexpressive: the radiant "Sanctus," sung in a light and appealing head voice by Vernon Midgley, was only one movement in which the conductor's keen ear for Berlicz kept interest in the performance as a whole alive.

Richard Fairman

# Young singers

London International Opera Festival has promoted an even-ing in which some promising young opera singers can show their paces. The four who were originally lined up for this year's recital on Saturday have already started to make names for themselves, but a last-min-ute shuffle of performers turned up a welcome joker in the pack.

computer music from June 6 to 10. The Essen studio, now 20 years old, is one of the most important and oldest in Ger-

many. It has established a nam in the US and all over Europe.

The festival reflects on 40 years of electronic music history and offers compositions from the four decades. There will beperform-ances by musicians from four

ances by musicians from four countries. Among the artists are: Karlheinz Stockhausen, Ger-hard Staebler, and Dirk Reith. Discussions and tape sessions round off the programme. Essen, Folkwang-Hochschule Klemens-born 38 (0201/4903-170).

Mino Bordignon conducting cho-ral works by Brahms, Shoebkov-ich, Hindemith, Armando Gentil-ucci, Flavio Testi and Goffredo

Petrassi (Mon). Teatro Alla Scala

(80.91.26).

the pack.

The soprano Maureen Brathwaite set proceedings off to a lively start. With a winning smile and a vivacious personality she has found the way to capture the attention of an audience and the voice, already tested in the Collseum when ENO revived Hansel and Gretel at Christmas, fills the Purcell

This is the fifth year that the London International Opera
Festival has promoted an even
Jewel Song from Faust.

Simon Boccanegra. Then on came the substitute tenor and any feeling of safe routine was It is not easy at an event like this to give the feeling of a real

wept aside. Nerves had inconveniently turned Julian Gavin's body into a prison for the evening, but the voice that was locked inside is a brilliant tenor that rings out with exciting, trum-

rings out with exciting, trumpet-like clarity.

The programme ended with the quartet from Rigoletto and it was Gavin's singing, bright and clear, carefully achooled, even if he was pushed close to his limits by the demands of this piece, that one went away remembering. It will be interesting to see how this young Australian fares when he is not being thrown in to sing at a hour or two's notice.

Richard Fairman

# June 1-7

# ARTS GUIDE

# MUSIC

man playing Beethoven Sym-phony No 5. Guildhall School of Music and Drama (Wed) (971

# Paris

thoven (Thur). Chatelet

balle, Gerard Garino, Jose Van Dam. Berlioz (Thur). Théatredes Champs Elysées (47203637).
Orchestre National de France,
Radio France Choir conducted
by Lorin Mazzel, Verdi, Tchaikovsky (Thur). Salle Fleyal
(45638873)

Ex Machina 90. The Essen Folkwang University's section for electronic media and computer music, and the Ruhr Foundation of Modern Music are jointly stag-ing Ex Machina 90, an interna-

Burry Douglas (piano). Proko-fiev, Shostakovich, Liszt (Fri). Auditorio Nacional de Musica

Auditorio Nacional de Musica (187 01 00).
Spanish Chamber Orchestra with Mctor Martin (conductor and soloist). Boccherini, Mozart, Vivaldi (Tues). Anditorio Nacional de Musica (337 01 00). Arturo Pizarro (piano). Beethoven, Chopin, Rachmaninov (Wed6). Auditorio Nacional de Musica (337 01 00). Musica (337 01 00).

Luciano Pavarotti, Jose Carrers and Fiscido Destingo in a joint recital (on the eve of the opening of the World Cup), with the orchestras of the Florence Maggio Musicale and the Rome Tea tro Dell'opera (Sat). Terme di Caracalla (Rome 46.17.55; Fior-

# New York

Edita Graberova singing Dvorak, Mendelssohn and Strauss, accom-panied by Friedrich Haider (Fri). Teatro Comunale (2779235) Zukerman (viola), Lyan Barrell (cello). Beethoven (Wed, Thur). Kaufmann Hall (427 6000).

# ducted Will Kesing, Menotiti; John Keenan conducting, Verdi (Tue), Carnegie Hall (247 7800). Jose Carneras tenor recital with Lorenzo Bavaj (plano), Mixed programme (Thur), Carnegie Hall (247 7800).

National Symphony Orchestra conducted by Matislav Rostro-povich. Glinka, Deak, Makris, Doppler, Gould (Tua); with Ora-torio Society of Washington directed by Robert Shaler, Rim-sky-Korsakov (Thur). Kennedy Center Concert Hall (467 4600).

Chicago Symphony Orchestra conducted by Klaus Tennstedt with Ray Still (oboe). Mozart, Strauss (Tue); Klaus Tennstedt conducting, with Arleen Auger (soprano). Haydn, Mahler (Thur). Orchestra Hall (425 6565).

# Takyo

Vienna Mozart Chamber Symphony. Mozart Abend. Orchard Hall (Mon) (545 9248).

Marc Laforet (piano). Debussy, Chopin, Beethoven. Suntory Hall (Wed) (461 4831).

Juilliard String Quartet. Haydn, Sibelius. Ravel. Casala Hall (Wed) (460 999).

New Japan Philharmonie Orchestra conducted by K. Kotzumi. Berg, Respighi. Bunkamura, Orchard Hall (Wed), Tokyo Bunka Kaikan (Thur) (499 1531).

Bunka Kaikan (Thur) (499 1531). NHK Symphony Orchestra conducted by Jean Fournet. Debussy, Mozart, Tomasi, NHK Hall (Thur) (466 1781).

# SPONSORSHIP

# BBC plugs into electricity

sponsors as a source of extra funding finds expression in the BBC Design Awards, devised in co-operation with the Design Council and sponsored by National Power, which should be a privatised electricity generator some time pert year generator some time next year. Viewers will be encouraged to vote for the designs they think deserve one of 15 prizes.

One award category is the environment, an area of much concern to National Power, which, like most privatised companies, is planning to grand heavily on spongarthin spend heavily on sponsorship.
A budget of more than film
will be divided annually
between environmental improvements, the arts, and

local community projects.

A substantial £450,000 has aiready been earmarked for the arts through the National Power World Piano Competition, to be held in London in June 1991. Sixty pianists, ideally from everywhere, will compete for a £10,000 first prize, plus concert engagements and scholarships for the finalists.

If the judges are swept off their feet by the winner, they can also award him, or her, a Steinway grand piano, which already been earmarked for the

Steinway grand piano, which retails at £25,000.

retails at £25,000.

The Piano Competition will be held in London every three years and is designed to acquire the prestige of the Chaikovksy in Moscow, the Chopin in Warsaw, and the Queen Elizabeth in Brussels. It will not compete head on with the Leeds Piano Competition, sponsored by Harvey's, which takes place this year. The "London" is intended to give the capital's undoubted dominance as an international music centre a higher profile.

international music centre a higher profile.

Another match between the BBC and privatised electricity will be sealed in the summer when Manweb, the generating company for the north west of England, will sponsor a tour of Wales (where the water comes from) by the BBC Symphony Orchestra. In addition, Orchestra. In addition, Manweb is backing the Royal Liverpool Philharmonic's

The BBC's commitment to sponsorship is underlined by its appointment last month of a spontiment last month of a sponsorship consultant, Wendy Stephenson. Her first task is to seek business support for performances by its four symphony orchestras, for the Proms, and for recordings. She is devising the most effective package and will be ready to discuss specific projects with companies next

Much interest has already been shown in the Albert Hall Proms, which the BBC would ideally like to offer to one sponsor. But any company taking on this high profile event will also be expected to help the four orchestras over the year rather than just exploit the publicity from the Proms. The bottom financial

Sponsors will be hoping for more flexibility from the BBC. Its first major venture, the Lloyds-backed "Young Musician of the Year" competition, gave the bank three pluss an hour. The IRA three plugs an hour. The IBA has an agreement offering companies six plugs. There is room for movement here. Mrs Stephenson worked for many years with the Edinburgh Festival, and is drumming up sponsors for Glasgow's Year of Culture.

The importance of a sympathetic chairman in developing arts sponsorships has been proved once again, at Texaco. One of the first decisions of the new UK chairman, Peter Bijur, was to boost the oil company's involvement in the UK. which had been confined to local support in Scotland and Wales. Anthony Fawcett Associates was commissioned to come up

with ideas.

The first significant sponsorship will be a Texaco Endowment for the London City Ballet. This is worth a buric significant sponsorship will be a Texaco Endowment for the London City Ballet. This is worth a buric significant sponsorship will be a texac and the action of the action of the texac and the action of t basic £100,000 a year and will pay the salaries of a lighting designer and a ballet mistress. among other help. As much again will be spent on promotion. Texaco is also moving into

the visual arts with a £50,000 sponsorship of *The drawings of Jasper Johns* exhibition which arrives at London's Hayward Gallery in November. The main international sponsor for this show, which has just opened in Washington, is Ford, another company which, like Texaco, has traditionally invested more in the US than in the UK. A much more substantial Texaco arts venture is planned for 1992 when the company moves to new headquarters in Docklands.

The slowdown in economic growth is obviously also slowing the rise in sponsorship expenditure but there are still areas with potential. Theatre seems to be the current favourite. Leaving aside the

This week the BBC's newly renewal by Royal insurance (at discovered enthusiasm for a cost of £2.1m over three years) of its backing for the RSC, a link which has more than justified itself through media attention alone, there is news of three more drama

Barclay's New Stages, which supports new work by "fringe" drama companies, has paid out its first £87,500 to 10 companies from 250 applicants. Among the recipients are Forkbeard Fantasy of Devon; the Sheffield-based Forced Entertainment; Lumière and Son; the black Smile Theatre; and Yorick.

A new sponsor, at least to London, is United Distillers, the spirit side of Guinness, which has itself started to support the arts heavily. United Distillers is putting United Distillers is putting £250,000 over three years into the Lyric Theatre in Hammersmith, where it operates. In addition, the company's workforce will be given the opportunity to attend special preview performances. The first play to benefit from the aid will be a version of Malory's Morte d'Arthur, which opens in July.

A softer drinks company

A softer drinks company getting involved in the theatre is Aqua Libra, which is backing Shared Experience in its new production of Pinter's The Birthday Party, and its autumn tour. The money is not much more than £20,000, but it will help Aqua Libra to re-position itself, switching its marketing appeal mainly from women and towards young

Hendles.
Holsten Pils withdrew its £100,000 funding of the London International Comedy Festival in the spring but it is still going for laughs, it is helping the forthcoming tour by the Cambridge Footlights and today opens its own show Holsten Live at the Playhouse Theatre in London. It stars the cult comedians Emo Philips cult comedians Emo Philips and Judy Tanuta, and after a two week West End run will go

The interest of the Prince of Wales in ABSA, of which he is now patron, can be seen in a new ABSA award to be included at the annual prize giving next winter. It will go to the company that has contributed most to the arts and urban regeneration in and urban regeneration in 1990. ABSA is keenly aware that, as green issues and the environment make demands on the corporate compassion budget, the arts must show that they have a role to play in the caring nineties.

In an innovative move, ADT is to sponsor a public relations company. Belinda Harley handles the publicity for the Prince's Trust, the umbrella organisation which looks after all the Prince of Wales's charitable activities. ADT (also a large sponsor of London City Ballet) is putting up £100,000 to ensure that the press and public relations is well done.

But can you make arts sponsorship work for you? One imaginative, and very cheap. scheme has been concocted by the Salisbury estate agents. Myddleton and Major, which got together with local clothier, Chas H. Baker, to sponsor a costume exhibition at the Salisbury and South Wiltshire Museum.

Anyone inquiring about a house on the agent's list received the details, along with information about the costume show and a free ticket. The clothes shop also gave free tickets to regulars.

A big new arts sponsor is Siemens, which is taking advantage of glasnost by sponsoring Leningrad in Manchester, shows by seven Soviet artists at the leading Manchester galleries and the Slemens HQ, from mid June. As a first time backer of the arts, the £100,000 from Siemens has attracted an extra £25,000 under the Business Sponsorship Incentive Scheme.

IBJ International, the Japanese bank which by some reckonings is the largest in the world, entertained 800 guests, over a third of the audience, at a performance by the London Symphony Orchestra at the Barbican last week.

The importance to the LSO was not the £12,000 sponsorship but the fact that it has attracted the attention of such a prosperous patron, and such an influential audience. Having a Japanese vice chairman on its board is obviously a shrewd move. Last year, the LSO got Japanese Airlines to back its production of Bernstein's Candide.

IBM is to sponsor three new one act ballets by the new Birmingham Royal Ballet (formerly Sadler's Wells Royal Ballet). The ballets, by Ashton, Bintley and Balanchine, will be unveiled at the opening gala first night at the Birmingham Hippodrome on October 20.

**Antony Thorncroft** 

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FINANCIALTIMES :

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FINANCIAL TIMES

Berlin Philarmonic Orchestra conducted by Daniel Barenboim, playing Mozart and Bruckner (Mon) Royal Festival Hall. (07)

928 3002). Guildhall Symphonyy Orchestra conducted by Christopher Sea-

Ensemble Orchestral de Paris.
Schubert, Schumann, Lee,
Strauss, Debussy (Tue). Auditorium des Halles (4022228).
Isaac Stern (violin), Yo Yo Ma (cello), Emanuel Ax (piano).
Brahms, Shostakovich, Beethoren (Thur). Chastelet Orchestre National de Lille and

seldorf conducted by Jean-Claude Casadesus with MontserratCa-

Carlo Maria Giulini conducting the Scala Philharmonic in the opening concert of Salvatore Accardo's splendid Settimane Musicali Internazionii, playing Schumann, Ravel and Stravinsky (Mon). Testro San Carlo (251285)

# Madrid

# Barcelone

La Capella Reial de Catalunya. Artistic director JordiSavall. F.Valla, Handei (Wed), Basilica de Santa Maria del Mar (215 12

Elizabeth Rich piano recital. Bach, Schubert, Chopin (Mon). Alice Tully Hall, Lincoln Center (874 8770). Itzhak Periman (violin), Pinch

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Monday June 4 1990

# The Germans will decide

THE fuss made about a bilateral summit between the leaders of the US and the Soviet Union is beginning to look rather artificial. The meeting which ended yesterday, though important, was only one in a crowded diplomatic calendar for both participants. It marks a stage, but only a stage, in a drama which now

has many actors. The two presidents had already proclaimed the cold war at an end when they met in Malta six months ago. Much of the business they transacted this time was essentially concerned with translating that statement into practical detail. Even so, it was incomplete. Several issues have still to be resolved before a strategic arms reduction treaty can be signed. More significant, per-haps, are the caveats expressed by the US side about the com-mercial treaty, which Mr Baker said would not be sent to the Senate for ratification until the Soviet Union has passed a law guaranteeing free emigration, and which in any case is most unlikely to be ratified while Moscow is still applying economic sanctions to Lithuania.

What this means, in effect, is that the Soviet Rigin is still as

that the Soviet Union is still on probation. No one now dis-putes that under Mr Gorbachev there has been a spectacular transformation not only of its foreign policy but also of the way it treats its own citizens. But before doing away with all the paraphernalla of cold war the US wishes to be assured that this transformation is complete and irreversible. So long as the Soviet Union treats emigration as a privilege to be granted or withheld by the state rather than a legal right, and so long as it insists on the legality of Stalin's forcible annexation of the Baltic republics, it will not be a state with which the US feels able to maintain entirely normal and friendly relations.

### Very survival

Some may argue that it is absurd to quibble over such points, which but for Mr Gorb-achev would not even be on the agenda, when his very survival in power appears to be at stake. But it is dangerous to personalise international relations to that extent. Whatever degree of gratitude, admiration or sympathy the West may feel towards Mr Gorbachev, it is not with him personally but with the Soviet Union and its component peoples that rela-tions have to be conducted. If those peoples decide to main-tain their union under his leadership, it will be a pleasure for the rest of the world to con-tinue doing business with him. But it is in no one's interest for the West to appear to be trying to prolong his rule by sacrific-ing the right of Soviet citizens to decide their own destiny.

### Security arrangements

Meanwhile, there are plenty of international issues which can and must be dealt with whether or not the US grants most favoured nation status to the Soviet Union, and for that matter whether or not Mr Gor bachev remains in power though they will certainly be
affected by the presence or
absence of a stable and selfconfident Soviet leadership.
The post pressing of these The most pressing of these issues is now clearly the secu rity arrangements for a united Germany. The "internal" process of German unification pro-ceeds by leaps and bounds, and Chancellor Kohl is now determined to complete it by the end of the year. Yet he and his western allies firmly rejected last month's suggestion from Mr Shevardnadze that the external" process could be uncoupled from it and allowed to mature over a long period. That would mean prolonging the rights of the four "victor " into the lifetime of the united German state, which would thus not be fully sover eign - and in fact not fully united either, since one of the unresolved external aspects would be East German membership of the Warsaw Pact.

So the question of Germany's security alignment has to be settled this year. But Mr Gorbachev has still not reconciled himself to settling it in what seems, to western eyes, the simplest and most "natural" way, which is that the Federal Republic's international commitments, to Nato as well as the EC, would be unaf-fected by the adhesion to it of the East German Lander. "Why not let the Germans decide?" he apparently asked Mr Bush on Friday, as though he did not realise that the US position all along has been to insist on the Germans' right to

choose their own alignment. That is the right question but Mr Gorbachev is still trying to hedge around the answer with conditions, still not clearly worked out, about new security arrangements for the whole of Europe. The West is not opposed to these, pro-vided they do not involve dismantling Nato. But it is surely time they were discussed in a more specific and structured

Peter Montagnon and William Dawkins on the challenges facing CoCom

A small opening for freer trade

n spite of the rapid pace of 🥞 change in eastern Europe, the myriad western officials nvolved in checking strategic high-technology exports to the eastern bloc do not expect to be out of a iob soon.

Western industrial nations meeting in Paris this week are likely to agree a sweeping relaxation of their strategic export controls. But the controls themselves will not disappear, and the West is more united than ever over the need to retain the shadowy Co-ordinating Committee for Multilat-eral Export Controls (CoCom) through they are organised

A new-found willingness on the part of the US to agree to liberalisa-tion, particularly of high-precision machine tools exports, has helped cement a consensus that CoCom should survive after a long period of bickering over how to respond to East bloc reform. This had sometimes threatened to divide inexorably its 17 members - all of Nato minus Iceland and plus Japan and Australia. Western officials say the Soviet

Union still does not count as an ally and remains a potential military threat. Not even West Germany, the keenest among Europeans to open up technology trade with the East, wants to tamper with controls on the export of atomic energy and munitions. Western governments also want to keep some controls on high-technology civilian products that could be diverted to military use.

With this risk still present, some even argue that effective strategic export control has paradoxically become even more important in an age where detente has put defence spending under pressure. "As you reduce military strength, you get more dependent on smart weapons," says one western businessman. As leakage of technology which gave the Soviet Union special military advan-tage could now be relatively much

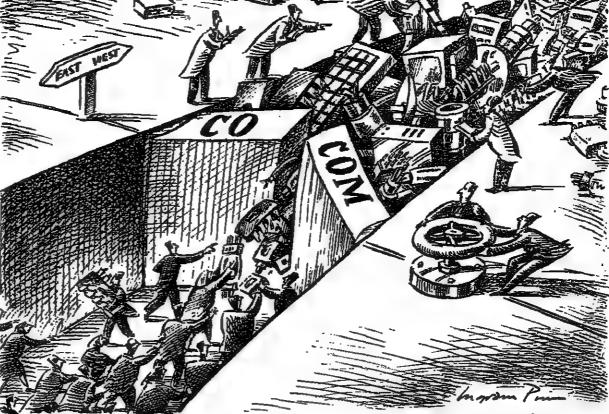
more damaging than before.

CoCom faces an urgent challenge. however, in deciding how to adapt controls on so-called "dual-use"

Many of the items affected - computers, telecommunications equip-ment and high-precision machine tools – are precisely those which the reforming countries of eastern Europe need. If they are to bring their econo-mies up to a par with the West. With-out technology transfer, their econo-mies may continue to stagnate. frustrating, or even reversing, politiin the short run attention focuses

on the sub-ministerial meeting of CoCom officials taking place in Paris on Wednesday and Thursday. CoCom officials have been working round the clock to prepare for this meeting which looks set to drop or reduce export controls on about a third of the high-technology goods now subject to

Underlying this effort are three main issues. First, how far should liberalisation actually go? Second, how far is it desirable to differentiate between the Soviet Union itself and the satellite countries of eastern Furner where reform is proceeding. Europe where reform is proceeding fastest? And third, what can be done ascest? And third, what can be under about the thorny question of East Germany during its transition to unflication with the West? CoCom members, including the US which was previously one of the most hawkish members of the group, are coming round to an idea first proposed by the UK, that the current speculing list of UK, that the current sprawling list of controlled products should be replaced with a core list of technolo-



gies of fundamental strategic importance. The aim is to build this list from scratch by the end of the year. It would probably include only the most obviously sensitive products such as sonars and high-performance computers. The type of advanced avi-onics which feature in Airbus aircraft would also come under scrutiny, though it is not clear how this would affect sales of the aircraft to the East bloc. Until now these have carried the condition that the aircraft must be

serviced in the West.
One advantage of creating a core
list is that it would leave industry in
a position of greater certainty. Under the present complex arrangements exporters are often uncertain what they can and what they cannot export. The principle underlying the core list would be that a product should be permitted for export pro-vided it was not specifically banned. There would be fewer grey areas where exemptions could be negotiated

for particular countries and users.

In the UK view at least, the core list should apply to all East bloc destinations. Because the list would have pared controls to a minimum, there would be no room for differential treatment and horse trading over exemptions for particular countries and the uses to which a given technology could be put. There is a debate within CoCom about this, however, and it is probably in this area where the organisation faces its biggest

short-run challenge.
Opponents of differentiation argue that simpler controls with a uniform application have the best chance of being effective. The smaller the grey area where differentiation is possible, the smaller the risk that individual the smaller the risk that individual exporting countries will succumb to the temptation to twist the interpreta-tion of the controls for their own commercial advantage. Besides, the very notion of differentiation implies that controls will be needed inside the East bloc itself. Though Poland, Hun-gary and Czechoslovakia have offered gary and Czechoslovakia have offered day could be used for weapon design to institute controls of their own, at night, and even the most diligent trols promised by Washington at the East it still has work to do.

there is some doubt about how effec-tive they could be.

The counter-argument is that these

three countries, which have made the most progress towards democratic market economies, merit better treatment than their immediate neighbours. One plan, likely to be discussed but not agreed this week, would allow them to import controlled goods freely, on condition that they promise not to let them be re-exported to the Soviet Union. Eventually, these countries would be taken off the CoCom list of "proscribed destinations". They would then be treated like neutral non-member countries.

A new-found willingness on the part of the US to agree to liberalisation has belped cement a consensus that CoCom should survive after a long period of bickering over how to respond to East bloc reform

The complication is in the detail. The US, which supports differential treatment, wants the right to send in inspectors to check that technology exports are not being resold to the Soviet Union or diverted for military uses. Most Europeans dismiss enduces inspection as unwertable. user inspection as unworkable.

"If it is strategic, we should not export it at all. Once you have lost your technology, you cannot get it back," says a European official. "These are weak governments in the process of decentralisation," adds another. "They cannot deliver con-

Verification by the West would also be hard. A computer used for innocu-ous industrial purposes during the day could be used for weapon design

inspectors might never know.

Whatever happens to the broader debate on differentiation, there is no escaping the still more immediate problem of East Germany. The US in particular has expressed concern that, as German unification advances, strategic technology could flow from West Germany into its eastern neighbour and on to the Soviet Union.

Given the close links between East Germany and the Soviet Union, the only watertight solution would proba-bly be for Bonn to maintain stringent controls on inner-German strategic trade. Recognition that this is now politically unacceptable has provoked sympathy for a compromise solution

roposed by Bonn. This would call for East Germany to establish its own controls with the help of West Germany. They would be used to prevent re-export of CoCom technology to the Soviet Union, but East Germany would remain free to export its own indigenous technology. Though East Germany would then have access to otherwise controlled. have access to otherwise controlled western material, some very sensitive items would remain restricted.

There may be no alternative to such a scheme though businessmen

believe it may be far from effective.
The greater the transparency involved in the technology transfer, the less the risk, they add. Meanwhile experts in both the US

and Europe say they expect this week's meeting to agree a relaxation of present controls at least to the less stringent level that has been applied to China since 1985 when it was in the throes of political and economic reform. US industry itself has been pressing for the controls to be relaxed to help boost its export opportunities.
Optimism that change was in the
air was heightened last month when the US announced proposals to drop controls on 30 as yet unidentified products on CoCom's dual-use list and

substantially reduce controls on another 13. The offer was the outcome

February meeting of CoCom in Para US officials hope that if all goes to plan, this wack's meeting will agree to drop those 30 controls on the spot to drop the first time in recent year. European CoCom members are being more cautious than the US. A greet deal more technical discussion remains to be covered in some product ares, such as telecommunications before controls can be lifted, the before controls can be lifted, they

At the least, this week's meeting will agree to drop export curbs imme-diately on a shortlist of products that have little strategic or commercial value - such as liquid fluorine, used as rocket fuel 10 to 15 years ago and aim to agree on the rest of the so goods on Washington's liberalisation list by the end of the year.

After a hectic series of late-night meetings it now looks as if CoCom members are in a position to agree some measures of liberalisation for machine tools and microcomputers as well as telecommunications. Telecommunications is far more sensitive, because the fear on both sides of the Atlantic is that fibre optic cables and digital packet switches — the main products being considered for liberalisation — could be very valuable to the Soviet military.

The overall aim is simply to drop controls on goods which have been made bereft of strategic value by the fast progress of technology or are in any case easily available outside CoCom. The emphasis will be on liberalising exports of basic hardware. Tough controls are be maintained on sales of technological know-how.

The process has been confused,

however, by the twin track approach that is now under way. While this week's meeting will discuss the results achieved by the three working groups in telecommunications, comparing the state of the sta puters and machine tools, the core list idea, which was proposed separately by the UK. Is not due to be agreed until December. although officials hope that this week's meeting will pave the way for that process.

What is now clear, however, is that

the CoCom which emerges from this reform process will be a much slimmed down version of the old committee. Gone is the old painstakingly slow rolling review of restrictions, and the work of CoCom may have to become much more open than before. Still likely to remain, however, is the East-West emphasis and the old US insistence on adequate enforcement. US officials say they regard tighter enforcement of controls as a reasonable quid pro quo for liberalisation.

Throughout its history CoCom has always suffered from leaks through poorly implemented controls, but most players accept that it has mo-

most players accept that it has succeeded at least partially in halping retain the technological edge of the West. The Soviet Union may have en able to steal some technolog but the restrictions have delayed its progress and forced it to spend much

more on research and development.
Meanwhile, the affairs of the Iraqi
gun and the Libyan chemical weapons
plant suggest to some that CoCon
should also turn its attention to the Middle East and other potential regional flashpoints. There is opposition to this idea, however, by countries (notably France) which argue that CoCom's controls are not easily adapted to such regional trade. Controls at this level, they say, are best left to national governments.

CoCom should stick to its basic

task, they maintain. As long as there is still a potential threat from the

1--

# Real social democrats

THE recognition by Dr David Owen that his rump Social Democratic Party has no further life in it is a constructive decision by a politician whose principal characteristic has always been his single-minded determination to go his own way, even if the consequences for those who support his general programme are adverse. It probably draws a line under the political career of an individual whose influence and actions have been of some significance during the past decade. But it does not mark the end of social democracy in

British politics Just nine years ago Dr Owen was one of the original 'gang of four' who broke away from a Labour Party that was at the time honelessly in thrall to the trade unions and committed to left wing and unilateralist policles He was not then the most popular of the four that was probably Mrs Shirley Williams. He was not then the most dis-tinguished of the four; that was certainly the former Labour Chancellor, Mr Roy tnow Lord) Jenkins. Dr Owen did, however, possess the youth, glamour and sharp intelligence necessary to get himself elected leader of the new party, which he quite soon did.

# Resulting schism

The fortunes of the SDP subsequently became inextricably bound up with the personality of its new leader, with ultimately disastrous consequences. For Dr Owen was unable to disguise his contempt for the Liberal Party. even when it fought in alliance with the SDP. The resulting chism no doubt contributed to the failure of the Alliance to snatch second place from Labour in the 1987 election. which it should have been able to achieve at a time when Libour's policies were still repugnant to many centreranded voters

After the 1987 election the Liberals proposed a merger of the two Alliance parties. Had it

gone through smoothly. Dr Owen might have become the leader of a formidable new force in centre-party politics His decision to maintain a rump SDP ruined this opportu-nity for both himself and the Social and Liberal Democrats as the new mainstream social democratic party was eventu-ally named. Voters turned away from both Tweedledum and Tweedledee, leaving the field open for Labour, which has reshaped itself into both a social democratic party and, is the opinion polls are to be believed, a credible alternative Government. One of the few remaining points of principle that divides Labour from both the Liberal Democrats and the now defunct SDP is over the electoral system. The cruel truth is that at the end Dr Owen's SDP was so low in the polls that under, say, the West German system, it would not have scored the 5 per cent of votes necessary to qualify for additional seats in the Bundes-

# Labour's conversion

The true social democrats

For although Dr Owen has written himself out of the story, it is not yet over. The Liberal Democrats under Mr Paddy Ashdown, freed of the need to wipe out the SDP, may enjoy a resurgence of their own. Labour therefore has to fight to consolidate its support in the centre. There is talk of Dr Owen joining one of these competing social democratic parties, but his track record suggests that he would be a

are now Labour and the merged SLDP. Historians may award Dr Owen a chapter for his contribution to the political turbulence that brought this situation about, but it is at least arguable that Labour's conversion was forced by Mrs Margaret Thatcher rather than its own schismatics, while the Liberal Democrats have been hindered rather than helped by the continued existence of the

loose cannon on either deck.

# Dilemma of the Lords

■ One of the less noticed promises in the British Labour Party's new policy document, Looking to the Future, is to abolish what it calls the "anachronism" of the House of Lords and to replace it with "new elected Second Cham-

This may become more topi-cal by the end of today if their Lordships vote against the War Crimes Bill, thus causing the Government considerable become more topical even if enough of their Lordships bow to pressure from the Government and let the Bill through. For the question at issue is how independent the Lords allow themselves to be. You will take your own view

on the merits of the Bill. It is not exactly retrospective legis-lation. The Bill would give British courts jurisdiction over acts of murder and manslaugh ter committed as war crimes by people who now live in Britain, but who were neither British citizens nor British res idents at the time when the

There is not much doubt about the magnitude of the crimes. David Waddington, the Home Secretary, has described them as "premedi-tated acts of cold-blooded mass murder." Had the offenders been British citizens at the time, they would have been tried long before now.

offences were perpetrated.

Nevertheless, there are reasonable doubts. Is it right to amend the law so long after the events? Can there be fair trials when human memory is so fallible about what happened five years ago, let alone 50. And what purpose would be served by trials today? Almost by definition, those doubts are probably stronger

in the Lords than in the Com-

of the Lords are older and many of them are distinguished lawyers. It is, in my view, supremely

# **OBSERVER**

a matter for a free vote. That is why their Lordships will do themselves no good if they back away from their beliefs merely because of Government pressure. It is also why I hope that the Labour Party will develop its ideas on constitutional reform. For the Party is, of course, right - the House of Lords is an anachronism. The only question - and it is a big one - is what, if anything, should be put in its

# Social list

■ Among those sleeping out this week are Mr and Mrs Paddy Ashdown and Lady Howe, wife of the deputy Prime Minister. They will take their places in cardboard boxes on the steps of Westminste Cathedral tonight, Sir John Harvey-Jones, the television star and former chairman of ICI, will be sleeping out in his own back garden, while the directors of Kingfisher plc will be roughing it by their head-quarters in Marylebone Road. National Sleep Out Week runs until June 11 and is in aid of the homeless. We may publish another list tomorrow.

# Old Alliance

■ Never underestimate the power of personalities in politics. The old alliance of Liberals and Social Democrats had everything going for it. Possibly between them they made one serious tactical mistake. That was not to attack the Labour Party hard enough when Labour was still founde ing on the far left.

The Alliance should have proclaimed itself the second force in British politics and to the Conservatives when Labour was reduced to the margins. Instead it fought shy and talked about a third force.



# which was what the Liberal

had always been. For the rest, however, the Alliance failed because of quarrels at the top not because of lack of support from the ranks. Dr David Owen quarrelled with the older members of the Social Democrats like the now Lord Jenkins of Hillhead and Mrs Shirley Williams almost from the start. The atmosphere between them became poison-

Even then, Owen could probably have made a new start with David Steel when the older guard had moved aside. But in the crucial weeks after the 1987 election the two Davids declined to comm cate with each other. We all know the consequences. Owen drew some of them yesterday by seeking to disband the Social Democrats as a mainstream political force.

The fact is that that politicisns often tend to remain apart for personality reasons even when they seem to have common objectives. Margaret Thatcher and Michael Heseltine might be another example. So are Boris Yeltsin and Mikhail Gorbachev. The first thing you would expect

Gorbachev to do on his return to Moscow from the US is to seek an alliance with Yeltsin on the ground that presumably either of them want events in the Soviet Union to get com-pletely out of band. But will

# Hold the yaks

■ "Mad cow disease" is having repercussions beyond Britain's relations with France and Germany. At the end of last week two male yaks from Whipsnad Zoo were to be airlifted to Turkey to join a female pair sent a year ago. They form part of a breeding programme to allow a group of Afghan refugees, the Turkic Kirghiz, to build up a yak herd.

In their homeland, yak farming had been a way of life, but when they moved to Turkey in the early 1980s, the refugees were forced to leave their ani-mals behind. Now they want their yak back, and Rahman Gul, the tribe's leader, was awaiting the latest pair from Whitenade Whipspade.

Everything was set. The yaks passed their tuberculosis tests; funding was secured from several sources including the Turkish-Cypriot entrepre-neur. Asil Nadir, and the Red Crescent (the Turkish equiva-lent of the Red Cross) was ready with a truck in Istanbul to transport the beasts 1,000 miles across the country.

Then, at the eleventh hour, the Turkish Agriculture Minis-try stepped in and told the the people at Whipsnade to hold their yaks. The Turkish officials say that they are worried about BSE. At Whipsnade the hope is that the will be allowed to move eventually.

# Quick test

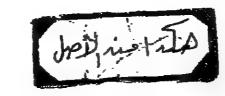
■ The following well-known sentence contains every letter in the alphabet except one: "The quick brown fox jumped over the lazy dog." Answer in one second. What is the missing letter?



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rules that were stiffer than those

applied in other countries. These provoked a sharp debate at the Bundes-

bank, but were eventually approved as necessary to the sound workings of

the banking system even though they will handicap German banks. "I don't think London would impose such self-restrictions on itself," said a Bundesbank Council member who

roted against them.
The International Monetary Fund

The International Monstary Fund also warned in a report last month that Germany would suffer long-term effects from last year's temporary imposition of a withholding tax on bond interest. This was introduced by Bonn over the head of the Bundesbank and prompted German investors to channel their funds offshore instead, where the IMF now expects them to stay.

them to stay.

It was a further example of the inconsistencies which hamper Frankfurt's growth. Some bankers put it down to the deep-rooted unpopularity of banks in Germany, and the reluc-

of banks in Germany, and the reluctance of government to be seen to be acting too obviously in their interests.

"We have a strong economy here, and big savings. But these are not essential for a successful international centre," says Mr Raif-Joachim Götz of the Institute for Capital Market Research who is preparing a comparative study of Frankfurt, London and Paris. "What you need is an international attitude, skills, flexibility and innovation." He believes that

he recent tussle over the loca-tion of the future European Bank for Reconstruction and opment was remarkable for one the complete absence of a Ger-ity from the list of contenders. with London, the winner, the claimants were Paris and

logic would have made Frank-1 obvious and ideal choice: it is uphically and politically close to urope, and much of the capital e revival of east Europe will from German savers. Moreover, my has a strong claim to a new rgan of the EC.

reason given in Frankfurt is he German authorities thought aw bank was unnecessary iamaging - because it would e the spur for private sector to become involved in the east. y stood back. Whether or not as the correct attitude, the fact he EBRD will be going else-has now prompted feelings of in Frankfurt. "It was a mis admits a Bundesbank official. incident sheds an interesting on the uncertainties that face furt amid all the changes that reeping through both east and Europe. As any visitor to the of the Main quickly discovers, furt says it wants to become a ss financial centre. But when it ly comes down to hard decithere is an ambiguity and that is absent from more go-centres like London and Paris. is all in keeping with the para-a city that has never measured i financial centre to Germany's rial might. The question now is er Frankfurt's time might have come. In spite of the decision, will the growth of urope shift Europe's centre of y away from London's tradi-dominance in Frankfurt's direc-

German authorities ght the new bank unnecessary because ould remove the spur rivate sector banks come involved in the So they stood back

lore intriguing still, will Frank-ide on the back of the erful Deutschmark to become ne of a future European central i Eurofed? is certainly the hope and

ation. Dr Karl Thomas, the nt of the Frankfurt-based cenik of Hesse, says: "As activity nore towards the east, the eco-and financial weight of Frankill grow. The natural conse-would be to make central ecisions and operations from int. But these are early days, nust be a long-term decision."
see central bank has invested The European Bank for Reconstruction and Development has gone to London. David Lascelles on Frankfurt's loss

# A city whose time has yet to come



The case for Frankfurt's future is strongly predicated on the power of the German economitality population, as well as on the Bundesbank's dominant influence over the D-mark bloc

heavily in clearing systems which would enable it to become the hub of a future EC monetary union.

Bankers also stress that the traditionally underdeveloped German securities markets have now been expan-ded and modernised. The value of the

combined German stock markets has doubled from 2.5 per cent to 5 per cent of world market capitalisation over the past two years, though this is partly because of the decline in the Japanese market. The new mayor of Frankfurt, Mr Volker Hauff, has been banging the municipal drum with vig-our; much is made of Frankfurt's international outlook, and of the huge sums that have been spent on the

sums that have been spent on the city's airport.

In particular, people are keen to point up the error of foreign perception of Frankfurt as a market still dominated by a cartel of the hig banks—as a place where power and influence are exerted in private board-rooms rather than the open market-place. "People abroad have got to recognise that there have been hig changes here," says Mr Gunter Rexrodt, the former Finance Minister of Berlin who now heads Citibank's of Berlin who now heads Citibank's

German operations.

But a big difference — for good or fil — remains between London and Frankfurt. Where London's position owes little to the strength of the local sconomy, let alone its national currence. rency or savings rate, but a lot to its readiness to act as host to interna-

tional institutions and markets, the opposite tends to be true in Germany. The case for Frankfurt's future is strongly predicated on the power of the German economy, its currency and its thrifty population, as well as on the Bundesbank's dominant influ-

on the Bundesbank's dominant influence over the D-mark bloc.

This attitude finds fertile ground in Frankfurt because it suits both the commercial banking sector and the authorities. Although large banks such as Deutsche Bank are expanding abroad quite rapidly, there still seems to be a refuctance to throw the domestic market organ to the extent required. tic market open to the extent required to make Frankfurt truly interna-tional. This is reflected in the frustra-tion of foreign bankers who describe Germany as the toughest big EC mar-

ket to penetrate.

By the same token, the German financial authorities view the future as one in which they will play a controlling role, rather than one in which the title of interestination. the tides of international finance will wash freely through the markets. One Frankfurt banker noted as a sign of growing Bundesbank assertiveness the fact that Mr Karl Otto Pöhl, its president, recently delivered a speech in Paris in German, rather than French or English as is his wont when abroad.

There is a lingering tendency, as well, among the financial authorities to impose regulations without regard to their wider impact. The Banking Office recently proposed new capital

But if Franklurt has to battle against the odds, it may also be too early to make any assumptions about the impact of east Europe on its future, Regardless of how the EBRD influences where east European financing is actually done, many German bankers are cautious about the prospects for themselves. After lest updates pects for themselves. After last year's euphoria, they now seem daunted by the size and complexity of the task ahead.

Frankfurt has good long-term pros-pects, but will remain a satellite of London.

But if Frankfurt has to battle

It will be a "miracle" if a single East German company, for example, is in a fit state to be floated on the as in a fir same to be indust on the stock exchange, according to Dr Eber-hard Weiershauser, managing partner of Schröder Münchmeyer Hengst, the Frankfurt investment bank owned by Lloyds Bank, and a member of the committee advising the Rast German Government on financial reform.

Bankers also expect east Europe to make a large claim on their time and resources without yielding much in the way of profits, at least in the near the way of pruns, at seast in the near term. In approaching East Germany, Deutsche Bank has been careful to position itself so that it can tap the newly created D-mark deposit base without having to assume dud East German loans.

German loans.

A much clearer ambition in Frankfurt is to be selected as the location for the Euroled. After the EHED incident, there is a strong realisation that the city's natural claims may not be sufficient to clinch the prize without vigorous political lobbying as well.

Among the arguments being put forward are the fact that Frankfurt alone of the main contenders (the other than the contenders of the the c slone of the main contenders (the others being Paris and London) is separate from its country's political capital, a status which reinforces its ndence. But for this reason, the independence. But for this reason, the Bundesbank is also preparing to fight any move by a reunited Germany to whilt it to Berlin where West German law says it must ultimately reside.

Frankfurt's desire to be selected as the location for the Eurofed is so strong that the choice of an alternative city would be viewed as little short of a disaster

Frankfurt's desire for the Eurofed is so strong that the choice of an alter-native location would be viewed as little abort of a disaster. But the city will have to reckon not merely with the claims of competing centres, but also with the danger that a Frank-furt-based Eurofed would signal only too clearly Germany's dominance of Europe, west and east. Because of this, some people would not be sur-prised to see the Eurofed end up in a compromise location, such as Luxembourg or Amsterdam, in which case Frankfurt would have to build on its

more traditional strengths.

LOMBARD

# A vote against **Thatcherism**

By Michael Prowse

he Institute of Economic Affairs today publishes the results of a survey\* of the opinions of 1,000 academic, business and government economists. The survey. the biggest ever undertaken, must make extremely depress-ing reading for Ralph Harris, Arthur Seldon and other IEA luminaries whose free market ideas have supposedly tri-umphed in the past decade.

It shows that the bulk of British economists still reject most of the assumptions that underlie the Thatcher Government's economic and social policies. Thus fewer than 7 per cent of respondents "strongly agree" that public spending should be reduced while more than two-thirds oppose cuts. Comparatively few believe in the efficacy of privatication as such: 38 per cent think it such; 80 per cent think it would not raise cost efficiency unless coupled with measures to increase competition. Three-quarters say increases in

public spending would do more to stimulate the economy than uts in taxation. A mere 3.3 per cent disagree strongly with the view that income should be distributed more equally in industrial countries. A big majority (86 per cent) agree that redistributing income to the poor is a "legitimate" task of government. A mere 3.3 per cent disagree

Two-thirds of respondents reject the notion that eliminatreject the notion that eliminating inflation ought to be the main goal of economic policy; 77 per cent say unemployment could be reduced, at least in the short term, by allowing inflation to rise. Only 40 per cent agree that inflation is prinarily a monetary phenom

marily a monetary phenome-non. Fewer than a quarter believe that the Bank of England is capable of achiev-ing steady monetary growth. Perhaps the most depressing finding for the IKA is that young economists have even less "orthodox" views than their seniors. They are keener on an egalitarian distribution of income, less concerned about union power, less worried by trade quotas and other forms of non-price protection, and less inclined to regard minimum wage laws as a threat to jobs. As these young economists rise to positions of influence, Thatcherite policies may thus grow even more unpopular with the "experts".

What accounts for the "antimarket" tone of the survey responses? One contributory factor could be the nature of economics courses at British universities. Typically, considerable emphasis is laid on mathematical and statistical skills but little effort is made to embed economic ideas in a broader political and philo-sophical framework. Economists rapidly learn that the mathematical conditions neces-sary to prove the efficiency of markets do not hold in the real world. Indeed, if there is any distortion anywhere in an economy, then it is logically impossible to prove that removing other distortions will

Serve any purpose.

It hence becomes possible to be a proficient technical economist yet be wholly opposed to the practical application of market forces. The rise of mathematics and the divorce mathematics and the divorce of economics from related subjects thus leads to paradoxes such as the lecturer who grinds away all day at equations that flow, ultimately, from Adam Smith, yet happily spends his evenings seiling Socialist Worker. Such schizophrenia is encouraged by the fact that most academic economists (who form the bulk of the IEA sample) have no perthe IEA sample) have no personal experience of market forces or the business world.

It is important to understand why and when markets are likely to fail. But if post-war British economists had put as much effort into analysing the possible flaws in government programmes and non-market solutions, the results of the IEA survey might have been rather different. To prove that markets fail is not to prove that anything else succeeds better. If the 1,000 economists spent 1,000 days attempting to run small businesses they would probably end up as pro-market and anti-government as Lord Young. The sad truth is that most of us are unthinking products of our environments.

\* British Economic Opinion.
28.50 from IEA, 2 Lord North
Street. SW1.

# atcherism in Poland

rofessor Meghnad Desai. Ir Stanislaus Gomulka. ted ("Polish moves than IMF demanded, as saying that Poland done even the Internationetary Fund's stricted deflating the economy. d not know him well, I ay he almost sounded at the prospect of Polonal income falling by ent compared to a fore-5 per cent downturn.
5 per cent downturn.
have been here before.
d is implementing a
rite programme and is
ng, albeit in a poorer
the experience the UK
had a gross national
decline of 4½ per cent,
heich it took us four
catch up to the level of catch up to the level of up to the 1979 level of so wrecked manufac-

One can only hope that Poland suffers less from imported Thatcherism. Even if the economy grows at 7 per cent per annum from 1982 (how much will national income decline by during 1991?), it will not be until 1995 that the income level of 1989 will be regard.

One fears that Polish manufacturing industry will be made leaner and fitter and smaller and will probably be taken over by foreigners. smaller and will probably be taken over by foreigners. So Poland can look forward to exporting agricultural and semi-manufactured goods – back where it belonged in the earlier half of this century. Will it also "enjoy" in 10 years' time a balance of trade deficit, high real interest rates and rising inflation as we are

doing?
Meghnad Desat,
London School of Economics. Houghton Street, WC2

# The people who make decisions

Prome Mr Dane Hibbert. Sir, Messrs Hartley, Hooper and Wiseman (Letters, May 30) refer to what they consider to be "confusion running through the debate over markets and

They are entitled to their view that markets and government are valuable inventions. They are most certainly correct in their statement that "... both are means to an end" and that neither market nor government decides what is "... efficient or socially desirable." However, they then add to any previous confusion by stating that "people" make these decisions and by subsequently changing their stance by saying that "the people," if dissatisfied, can change the institutional framework or the choices they make within it. choices they make within it.

My understanding of "people" is "individuals." My
understanding of "the people"
is the population, the consum-

Since when did "the people" affect the distribution of wealth? Since when did "the people" have any real effect upon the standard of state education. upon the standard of state edu-cation? Since when did "the people" have the opportunity to influence property rights in the environment? When last did need supersede demand? If the role of parliament is not to make decisions but simply to monitor those who do, since when did "the people" have any control over the establish-ment?

any control over the establishment?

Most certainly "people," a very few "people," make the important decisions in our society, but most definitely "the people" do not.

Dave Hibbert, Chairperson,

Oldham Trades Union Council Centre for the unemployed,

Firth Street,

Oldham Lancastire

# d for urgency in privatisation of the coal industry

e continued state con-Maurice Samuelson rlouds threaten coal-success," May 23) is n unacceptable anach-n the light of the Gov-'s privatisation proas a whole. as a whole, we the proposal to dis-gritish Coal en bloc is tly misconceived. The risideration should be

rather than economic, the ease with which all and his predeceshe National Union of kers have been able to id undermine the staindustry generally, oal industry in partic-surely, been highly

im of privatisation to further emasculate the NUM and its leader-ship and this would be more easily accomplished by the piecemeal dismemberment of British Coal, rather than by its

preservation as a large corporation which could be taken back into public ownership.

To be viable, because of its high sulphur content, British coal needs to be at least £5 per tonne cheaper than imported coal, and is in fact twice as dear. Little wonder therefore, that National Power's commercial director has observed that he is unsure whether British Coal has any future.

The delay in the sale of British Coal is presumably thought to be necessary to massage its profit record to make the issue appear more attractive than it will be in reality. But is there not a real danger that the present Government will be out of office by the time the corpora-tion is ready for market and does this not make the immedi-

ate disposal of British Coal imperative? The delay in privatising coal is inhibiting the emergence of genuine competition in the electricity and coal industries which discriminates unfairly against the private sector. For example, small mines still have to be licensed by British Coal, with all the restrictive working practices which such licensing arrangements involve, so that the private mine owner is in the invidious position of deriv-ing his very right of existence

from his main competitor.

Many parts of British Coal
would be immediately saleable to a number of successful, established groups in the pri-vate sector. Marginal properties could be taken over by co-

operatives, leaving those units which are no longer viable, to be closed instead of continuing be closed instead of continuing to be a drain on the resources of the taxpayer at the expense of hard-working small mine owners who have to live in the real world or go under. Ownership of the industry would be completely dispersed, with the inevitable benefits this would have to the consumer in the wake of increased competition. Renationalisation would be extremely difficult if not

extremely difficult, if not impossible, and above all -and this should be one of the and this should be one of the strongest factors influencing the Government – the baleful influence of Mr Scargill and his lik would be ended once for all. J.C.H. Rhys-Burgess,

tity and quality of training for unemployed people, only an all-too-thin line of some person-ally enlightened and concerned

TEC and LEC board members

Curzon Coal Compai Rio Tinto Wharf, Port Talbot, West Glamorgan

# tion and the erosion of funds for special training providers

only we could all flation, as Mr Howard ters, May 25) when he since the launch of ET in Septhat providers of nent Training (ET) tember 1988. Closures, reductions and average, have their severe rationalisation processes are being implemented by large numbers of training organisations specialising in training provision for the groups highlighted in your ediluced by 4 per cent I with last year.
Tecretary of State
the no doubt that speting needs providers out the country are crely affected by the torial comment ("Mr Howard's own goal," May 23) - those on

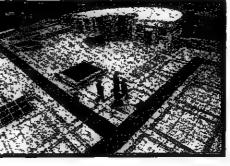
erosion of unit funding which, in many cases, stands at well the margins of society. Trailing and Enterprise Councils (and LECs in Scotover 20 per cent in real terms

land) will have taken on the responsibility for training con-tracts throughout most of the country by the end of this year. There is increasing evidence of further cuts in the funding to be distributed through many of these bodies, and the future is not encourag-

stands between present diffi-culties and a total collapse of effective provision for special needs groups.

ing. Without Mr Howard's inter-

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# **FINANCIAL TIMES**

Monday June 4 1990



# Police stifle Tiananmen mourning

Peter Ellingsen and John Elliott review the clampdown in Peking and protests in Hong Kong to mark the anniversary of a massacre

MAN aged about 50 in work clothes struggled to the edge of Peking's heavily-guarded Tiananmen Square yesterday and tried to unfold a poster. He was dragged away by armed police.

At the same time, more than 100,000 prome some carrying 100,000 people, some carrying posters and many wearing the Chinese mourning colours of white and black, marched

through Hong Kong. The man in Peking and the crowds in Hong Kong were commemorating the same event: the massacre of up to 1,000 peaceful demonstrators in Peking by the Chinese Army a

year ago. As he was dragged away,the As he was dragged away, ine Peking worker turned and said: "Rise up." It was a muf-fled message, but echoed the sentiment of many Chinese. After word of the protest had heen massed on. an office

been passed on, an office worker in his late 30s commented: "He said what we feel but can't act out. People want something to happen so that the Government knows it can't get away with the terrible things of last year.'

Like the youth who stood alone in front of a column of advancing tanks in the city a year ago, it was a symbolic protest from a lone figure with massive silent support. As China destroys its claim that "Peking is back to normal" by filling streets with riot police nursing automatic weapons, people are privately mourning the dead, and waiting to even

There have been discreet goslows in some offices and as one middle-aged worker explained: "We are waiting our

It is a far cry from the picture of cheery "stability" which China's Communist Party has been attempting to portray in the run up to the anniversary of the massacre.

Early yesterday morning The Peoples' Armed Police set up road blocks to stop and search residents in a war of

Intimidation. A truck driver who did not see a signal to stop outside Peking's "Friendship Store", had a revolver shoved in his face by an angry police-man who threatened to shoot. All over the capital, police, some wearing army helmets and carrying anub-nosed machine guns, were on patrol; students have been ordered to stay on campus and workers



mers reading "We will not forget" in Hong Kong yesterday

try to go to Tiananmen Square or wear mourning. Despite this pressure, one young man was sighted in central Peking wearing a black armband on his white shirt. The slege level of security follows the disappear-ance of three dissidents who planned to challenge the Gov-ernment last week to release a democracy activist. The three, songwriter, Hou Dejlan, economist, Zou Duo, and university editor, Gao Xin, are believed to be under detention as jumpy authorities try to stille opposi-

Universities, under surveil-lance by polics, were quiet yes-terday, although some students still hoped to be able to stage a token protest with mourning candles and vegetarian food. One science student in his 20's said roll calls were now

being held in every lesson, and anyone not accounted for, questioned and punished. At the Ba Bao Shan cometery, where some of the esti-mated 1,000 civilians killed during the crushing of last year's protest are buried, offi-cials ordered journalists out, and demanded photographs be confiscated. "You've got no right to be here," an angry offi-cial shouted before following reporters to their car.

But just as some students at Beijing University have vowed to "de-program" first year students sent away for a year of military training, many residents have their own plans to resist the threats and indoctrination. "We have to wait for

we won't forget. A government that survives by killing can't

In Hong Kong the high turnout of marchers surprised both the organisers, who put the figure at 250,000, and police. It was the biggest demonstration since hundreds of thousands of people took to the streets to support the Tiananmen Square students last year in the biggest protests in the colony's history.

Marchers raised fists and two fingers as they filed past the Xinhua News Agency

offices, Peking's de facto embassy in Hong Kong, at the end of a six hour demonstration. Piacards said "the world must not forget" and called for the rehabilitation of the democ-

# Administrators ready to move in at B&C

ADMINISTRATORS were last night poised to move in at British & Commonwealth Holdings, the financial services group, following the apparent failure of last-ditch attempts to procure the support of key bank lenders for a salvage

"The rumours regarding administration look like being fulfilled", said a spokesman for one of B&C's senior bank lend-"We are in uncharted waters now. I am sure the directors are meeting this leave a decision until the very

B&C has been struggling for survival since Easter, when it called in administrators at Atlantic Computers, its computer leasing subsidiary, wrote off £550m (\$929m) against its investment and asked for trading in its shares to be

If the group is liquidated, it would rank as one of the UK's largest-ever corporate collapses. At its peak in the summer of 1987, B&C was the UK's second-largest non-banking financial institution, in terms of market capitalisation.

The principal opposition to the plan, which would have required B&C's senior creditors to accept a significant write-down of the more than £700m owed to them, is believed to have come from three banks: Midland, Lloyds and Standard Chartered, none of whom had any comment yesterday. Midland is embroiled in B&C's complex litigation with Quadrex, the US investment enterprise, through Samuel Montagu, Midland's merchant banking division. This arose from Quadrex's failure in Feb. ruary 1988 to complete an agreed £280m purchase from B&C of M.W. Marshall, the

money broker, and William Street, the securities dealer B&C is suing both Quadrex for breach of contract and Samuel Montagu, which advised Quadrex, for misrepre-

In its original draft proposals for B&C's capital reconstruction, SG Warburg, the merchant bank, estimated that an orderly disposal programme of

B&C's remaining assets "would

be expected to realise gross proceeds...of some £875m". A forced sale, it said, might yield as little as £405m.

Under the latter scenario, "funds likely to be available for distribution to senior creditors are estimated to be approximately 67p in the 2" before costs, the document stated. Some analysts believe, however, that Warburg's valuone of the reasons for War-

burg's gloomy forced-sale pro-jection is the value of only £10m ascribed to Oppenheime Management Corporation (OMC), B&C's US mutual fund an orderly disposal pro-gramme, Warburg estimated that OMC would fetch £88m.

spokesman said.

# Grand Jury to examine link between Iraqi and BNL

Continued from Page 1 Mr Drogoul's signature for the bank despite the fact, in in previous loans from BNL, two authorised signatures had been required for transactions above \$500,000. Mr Drogoul and several other Atlanta executives were sacked by the bank last

year,
Mr Taha's name and role in
the BNL affair is documented
in confidential reports on the scandal that were prepared last year by both the Italian secret services and by the Rome bank itself in conjunction with the Bank of Italy. In one report a

deputy minister of Baghdad's Ministry of Industry and Military Production is also implicated in the BNL affair. At the Iraqi embassy in Washington Mr Yuseef Alani, the commercial attaché, said he considered all the BNL

Atlanta loans to be "normal business" and said it was not surprising that officials of the central bank would be involved. Mr Alani said the embassy "has never heard of any violation by Mr Taha from any US government official or from a Grand Jury". US relations with Iraq are

WORLDWIDE WEATHER

delicately poised because of President Saddam Hussein's recent threats to launch a milltary strike against Israel in the event of an Israeli attack on Iraqi military installations. There is pressure in Congress for sanctions against Baghdad and rising concern about Iraq's drive for military supremacy in the Middle East, including the attempt to smug-

Justice and State Departments. Also involved in the Iraqi case are officials and investigators from the FBL, the Customs Service, the CIA, the Commerce Department and the Pentagon. The Government of Iraq, last year retained the Washington law firm of Dickstein, Snapiro

and Morin, to represent Bagh-dad in connection with the BNL case. gle nuclear triggers through London and to build a "super gun" with the assistance of The law firm yesterday declined to comment on whether it would represent several European companies. ments being brought in Atlanta or any other matter. The Atlanta prosecutor is

# avoid Soviet delegation on Silicon Valley visit By Louise Kehoe in San

sllicon-based chips gave the region its name, according to the latest version of his sched-

trols on semiconductor chips. There are still espionage activities in Silicon Valley. We welcome and support the warming of US relations with the Kastern Bloc, but these are

In contrast, executives from computer and electronic equip-ment manufacturers will be prominent among the lunch guests. Mr John Sculley, chair-man of Apple Computer, will sit on the head table along with Mr Gorbachev, Governor George Deukmeijan of California and Mayor Art Agnos of

Mr Scalley has a long-stand-ing interest in the Soviet Union and has previously presented Mr Gorbachev with a Macintosh personal computer, Apple representatives said. The company is actively purin the Eastern Bloc pending the anticipated liberalisation

Mr William Hewlett and Mr David Packard, founders of Hewlett-Packard and two of the industry's elder statesmen, will also attend. Tandem Computers and Sun Microsystems. two of the Valley's most promment computer manufacturers will also be represented.

For the US computer industry, the prospects of liberal-ised trade regulations present major new market opportuni-ties in the Eastern Bloc. "We supply computers to telephone companies, banks and stock exchanges all over the world The Soviets need these kinds of products to build the infrastructure for a market econ-omy," said Mr James Treybig, of Tandem Computers.

Some 15 companies have been asked to "sponsor" the international activities. a

Most chip makers do not forsee major business opportuni-ties in the Eastern Bloc in the near future. "The Gorbachev guest list reflects business realities," AMD said.

# **Chipmakers**

stilicon Vallet Schipmakers believe it would be "unseemly" for them to sit down to lunch with the Soviet officials at a time when the US Department of Defence is providing funding for semiconductor research as a matter of national security.

Fraternising with Soviet officials during Soviet President Mikhail Gorbachev's visit to the valley today would be "jumping the gun" and hardly enhance the image of an industry that has stressed its strategic role in Washington.

So when Mr Gorbachev takes his seat for lunch with 150 local business leaders and politicians in San Francisco, he will probably not see many executives from the semiconductor manufacturers whose sliicon-based chips gave the

Intel, the leading US manu-facturer of microprocessor chips used in personal comput-ers, received an invitation to the lunch for its chief executive, the company said, but

declined.

Among the spurned chip makers, there is little disappointment. "A lot of our products have military applications," noted a spokesman for Advanced Micro Devices. "While personal computers containing our chips can now be sold to the Soviet Union, exports of most types of chips are still restricted by CoCom and US export regulations."

"There are still export controls on semiconductor chips.

the realities."

San Francisco.

Gorbachev lunch with donations of \$2,000 per company. Others attending must pay \$500 each. The money will go to underwrite the costs of the event - food, decor, photogra-phy and hosting the 40 mem-ber Soviet delegation - according to the San Francisco Chamber of Commerce. Remaining funds will be used to support the Chamber's

# Judges reopen Manville case

By Martin Dickson in New York

TWO US judges, concerned with the slow pace of compen-sation to asbestos victims, have taken the unusual step of reopening proceedings under which Manville, the company which Manville, the company crippled by asbestos-related health suits, emerged from bankruptcy two years ago.

Their action is seen as an important precedent in bankruptcy cases, since this is thought to be the first time a

large company's bankruptcy reorganisation plan could be revamped years after being Manville emerged from bankruptcy after the establish-ment of a special trust to compensate victims which assumed its legal liabilities.
The trust owns half Manville's sider changes in the company's equity and will receive part of its profits from 1992.

The trust, however, faces a serious cash shortfall, which means that claims filed late last year will not see payment until the year 2015. The two judges, Federal District Judge Jack Weinstein and New York state Justice Helen Freedman, estimated that the trust could be expected to pay about \$7.5bn on pending and future claims, yet was only worth about \$1.5bn at the current

They ordered the trust and

eral bankruptcy court to consider changes in the company's reorganisation plan.

They said the best approach

to improve the trust's ability to pay claims might be for the company to lend the trust \$200m to \$300m.

The judges criticised the trust for the shortfall in funds and said it must cut administrative costs and the fees it paid to both its own and the plaintiffs' lawyers.

They added that if the trust

and company did not work out acceptable changes by July 9, they would consider taking direct action against the two.

# THE LEX COLUMN

# Weak signals over the Atlantic

One of the more remarkable differences between the US and UK equity markets at the moment has to do with the respective strengths of the cor-porate sectors. In the US profits have been declining for three quarters in a row and the rate of dividend growth has slowed markedly. In the UK, slowed markedly. In the UK, by contrast, companies are still reporting above average dividend and earnings growth. The longer this divergence persists the easier it is to be nervous of the Dow Jones industrial average at 2900, than the FT-SE 100 at current levels.

Admittedly, there are signs that the UK profit bonanza is slowing. finally. Annual

slowing, finally. Annual growth in earnings on the FT-A All-share index slipped to a shade under 17 per cent in May, but it is still comfortably above the 11 per cent per annum average of the 1980's. The size of dividend increases has also started to subside. But in the first five months of this year annual dividend growth for FT-A All share constituents has been represent at these to 17.

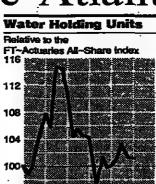
for FT-A All-there constituents has been running at close to 17 per cent per annum, or nearly a third above the average increase in the 1990s.

Clearly some UK companies are now feeling pain. Last week Storehouse joined the growing list of high street casualties which have cut their dividends, and it will be no dividends, and it will be no surprise if Saatchi and Saatchi trims its payout tomorrow. But these are very much the excep-tions. By contrast Standard & Poor's reports that the number of US companies omitting their dividend has doubled in the first five months of this year, to 109, and the number cutting dividends has increased by a

The growth in UK dividends and earnings has held up lon-ger than expected. But a year from now it will probably be from now it will probably be running at well under 10 per cent, while US profits should be recovering. The squity markets have been adjusting to the expected change in pace. Over the last year the price earnings multiple on the FT-A industrials has slipped by a tenth to 11.4, while the same multiple on the S & P Industrials has risen by a third to 18.9. It is not risen by a third to 18.9. It is not hard to see where the greater risk for disappointment lies.

# Hartwell

Shareholders in Hartwell, the motor dealer, may be won-dering today why they both-ered to stay loyal to the company's management. Just 11 weeks after rejecting a bid twell's directors have accepted an offer at exactly the same



price. In the meantime, the FT All-Share has risen by over 4

1990

per cent.
The explanation from beleaguered Hartwell is that the car manufacturers dislike uncer-tainties about the ownership of their dealers. They accordingly insisted that the situation be resolved, on threat of with-drawing their franchises. Har-twell was thus over a barrel and had to accept Jameel's terms. If that is what really happened, it forcibly illustrates with the Monorbies Commission why the Monopolies Commission is investigating the UK's franchised dealer networks. There is something strange about an industry where a

takeover can be enforced by the target company's suppliers. Hartwell had staked part of its defence on its special rela-tionship with the manufacturers and the likely problems for the business if the Jameel bid was successful. The relation was successful. The testing was evidently not special enough to ensure a good deal for the group's shareholders. To be fair, a bid which ends with a 40 per cent plus stake for the predator makes life almost impossible, as Birmid Qualcast found with Blue Cir-cis and Molins may find with Leucadia. But the Hartwell example hardly encourages faith in the other quoted motor dealers' ability to manage their companies independently.

The oil price bulls, having started the year with such high hopes, have rapidly been forced to retreat. The winter spike in price seems largely to have been caused by a temporary cold anap in the US. Since then, stocks have hullt up alarmingly quickly, reaching seven year highs in North America. And Opec's latest agreement,

pointed the market, with only Saudi Arabia showing serious

signs of cutting back production. If the Saudis lose their If the Saudis lose their patience, and if the North Sea maintenance season fails to create a shortfall, the Brent price could even fall below \$15 a barrel. The second quarter profits of the oil majors will be hard hit, a fact not apparently reflected yet in their share prices so far. The oil sector has only fallen 45 per cent against the All-Share from the heights it reached during the winter surge in the oil price.

surge in the oil price.
Whether this undermines the longer term case for the bulls is harder to tell. The erguments have been recited often enough: the steady growth in world demand, the number of producers operating close to capacity and the threat of political disruption to supply. But what this year may have already illustrated is that the oil price is back in a volatile period

Water plcs

The ten newly privatised water authorities have already forecast their profits and dividends, so no one should be expecting any great surprises when North West Water kicks off the water industry results season tomorrow. Presumably, the profit forecasts will be beaten, but not by so much as to make the accountants look silly. And anyway the profits are pretty meaningless since they cover a period when the 10 businesses have been recapt-talised and moved from the public to the private sectors.

Nevertheless, the results ought to be of interest since they may begin to throw up some clues to answering the key question of which are the better managed businesses?. Since privatisation the yield gap between the most lowly-rated company – South West – and the most highly rated, has narrowed from 158 basis points to 90 basis points, sug-gesting that the difference between the good, and the not-so-good, is not as big as the

This is hard to believe, and the forthcoming profit announcements could begin the process of re-rating. The three critical areas are divi-dend policy, capital spending plans and diversification. Thames Water's first major acquisition is already proving rather controversial, and there could be some surprises on the dividend front. The real test will be the capital spending year before judgements can be made on this score.

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# AT ITS

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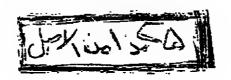
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# **FINANCIAL TIMES** COMPANIES & MARKETS

Monday June 4 1990

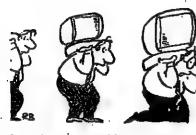


# iving through the tection clause

IDE

day, Hartwell, the UK motor distributor in Oxford, capitulation to a £172.5m come bid from the Saudi Arabian Jameel sation. The move put a dent in the neld argument that motor manufacturers protect from hostile takeover the groups Il their cars. And by next summer, when Monopolies and Mergers Commission s on the franchised dealership system, rotection theories may be laid to rest r. writes Jane Fuller. Page 22

computer burden



a court computer which was supposed to lummonses for parking violations, y decided instead to send out allegaprostitution, living off immoral earnurgiary and manslaughter. Such errors much embarrassment. But for managers 19 the introduction of new computer is other unforeseen consequences fie in

iges on the MQM lot



His name is Giancario Parretti and he is - at least under italian law and unices an appeal changes his circum-stances — a convicted feion who in April was sentenced in Napies to nearly four years in prison on charges of fraudulent bankruptcy. dava time he is set to

ntrol of Metro-Goldwyn-Mayer/United the legendary Hollywood film and tele-itudio. Alan Friedman reports. Page 20

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# A spread to match tastes

Clay Harris looks at the strategy behind CPC's purchase of Marmite, Bovril and Ambrosia

armite and Bovril in US ownership? It seemed unthinkable. Not since BSN of France bought HP Sauce

BSN of France bought HP Sauce and Lea & Perrins had Britain's culinary patrimony faced such a blow. Next, foreigners would be swallowing up English brands like Frank Cooper marmalade and Brown & Poison cornflour.

Such fears were years too late – five decades in the case of Brown & Poison. Both it and Frank Cooper were already owned by CPC International, the US food group which paid £157m US food group which paid £157m (\$251m) in April for the yeasty Marmite spread, its beety stable-mate Bovril and the Ambrosia range of rice pudding and similar

range of rice pudning and similar dairy-based desserts.

The latest acquisitions from SmithKline Beecham brought CPC's annual sales in Europe to \$20n, some 40 per cent of its worldwide total. With a large Latin American side, CPC is along a support of the sales and th alone among US food groups of its size in relying on external operations for more sales and profits than its domestic bual-

CPC Europe Consumer Foods betrays little sign of its ultimate parentage. In the 25 years since a European headquarters was established in Brussels, three presidents have been German; Mr Ronald Moss, the incumbent since 1987, is British. Its five vice presidents are French, Italian, British, German and American.

Yet its corporate name is barely known in Europe and its profile is not much higher at home in the US.

developed product strategy in ucts to exploit local conditions: there is Hellman's creamy salad dressing in the UK, Hellman's Bovril-Ambrosia deal as just ketchup in Spain and Hellman's

when Mr Richard Zuniga, senior vice president and chief administrative officer of CPC Europe and the only American in its top echelon, visits the US, the company's name draws a blank with immigration officials—until he mentions its breads.

with immigration officials—until he mentions its brands.

In the US, Hellman's, Mazola, Skippy or Mueller's (the leading mayonnaise, corn oil, pernut butter and branded pasta respectively) will do the trick. Only the first two would be recognised in Europe; however, and would probably be immediately identified as American.

CPC owns only one global brand: Knorr, the soups and sauces company with a Swiss and German heritage. But the French buy its Banania and Benco break-

buy its Banania and Benco break-fast drinks and Yahon desserts, the Germans its Ubena herbs and spices, the Portuguese its Mateus jams. And its Napolina pasta sauces, made in Hely to "authen-tic Italian verince" one sold overtic Italian recipes" are sold everywhere in Europe - except in

So what is CPC to do with its new quintessentially British brands? Are Marmits "soldiers" to be sent marching into conti-nental Europe and across the Atlantic? Hardly, says Mr Moss. The reason for this decision throws light on CPC's carefully

another expensive chase after brands were jumping to conclu-

The primary importance of the Marmite deal was to strengthen CPC's position in the UK. It gives us good volume and three hrand leaders with 100 per cent penetration," says Mr Moss.

The Marmite taste may be adapted to a more widely pelatable form, still under wrans and probably not yet finally determined. But such a product is unlikely to be sold under the Marmite brand outside Britain. If CPC selfs the same product under different name from country to country, what appears to be a common brand may hide subtle and not-subtle difference and Mr Moss.

Take Knorr, for instance. "At one point in our history, we were

Take Knorr, for instance. "At one point in our history, we were very proud that we sold life varieties of tomato soup," one for each of its European markets, he says. "In the UK, for example, it has to be orange and it has to be caramelised. Nowhere else in Europe do you get such a soup."

Brand deployment is selective in yet another way. Hellman's mayonnaise is not sold in France or West Germany, for example, because the markets are not mitable. Yet the brand has been applied elsewhere to new prod-

dressing in the UK, Hellman's ketchup in Spain and Hellman's mustard in Greece and Spain. CPC has spent \$500m on acquisitions in Europe since 1986. Its ideal targets have strong brand or market positions and are in strategic product areas. Multinational presence and the prospect of selling them widely across Europe are positive factors, but are not essential.

Mr. Mosa argues that moves

Mr Moss argues that moves towards "Ruropean" products can move no faster than con-sumer tastes. The same principle applies to the organisation of the

"We describe ourselves as possibly the most decentralised food company in the world," says Mr Moss. "We look for entrepreneurs to run our businesses."

At CPC, at one time, each country made all products for its own market. "We're starting to look at it very differently now. But this is one case where rational that it is one case where rational tractions is not approximately as a supplication." alisation is not a cuphemism for the are, Mr Moss suggests. "We do not foresee plant closures -it's one of the benefits you get from a growth strategy - but we are changing to greater specialisation: more focused plants rather than one plant producing a total

range."
This is sometimes approached on a European scale; CPC plans to consolidate manufacture of



one product from nine factories to three, with the freed capacity to be allocated to other work. There is also some regional rationalisation; Spain now makes all the mayonnaise for the Be-rian peninsula, while Portugal supplies most of the Knorr prod-ucts. CPC is building its first European scale plant at Duppigheim in France for the aseptic packaging of soups and sauces.

In 1987, CPC adopted a European strategic plan of "faster profitable growth." Since then constraint marching have been steperating margins have been staat about 10 per cent, a level which Mr Moss says is comfort-able for now. "We concentrate on

increasing absolute profit rather than profitability. Without growth, we can't effectively com-pete." In its markets, CPC faces the likes of Nestle, Unilever and BSN, the smallest of which has European food sales three times

as large as those of CPC.

It is a far cry from the nursery where tastes for Marmite or pea-nut butter are acquired. CPC has assessed and dismissed the possibility of creating a larger market for peanut butter in Europe. But be warned: Mr Zuniga claims to like Marmite and peanut butter together on toast. Multinational taste threatens to go a doorstep

# Good time for a bet on Gorbachev

f shares in Mikhail Gorba-chev were traded on the Moscow stock exchange, this would be the time to start buying. At home he is beset by sconomic failure, political defeat and 
surly public distrust. Abroad, the once adoring foreigners have started to dismiss him as a help-less relic, a pitiful victim of his own well-meaning but bungled

At times of universal gloom like this, the instinct of the financial analysts is to ask a simple question. Is Gorby really on the brink of economic and political bankruptcy — or has all the bad news finally been discounted in

the intellectual marketplace?

Most of the foreign commentators seem to believe the bankruptcy, thesis. But after a week of combing the shope and streets and homes of my native Moscow, I failed to find the portents of civil war and famine which seem so clearly visible to Kremlinwatchers in London and Washington. The public services in Moscow were working - some, like the Metro, with a clockwork precision which seemed to defy the urban laws of nature per-ceived in the West. Political debats, both in the streets and in

methods of production.

exchange has given the OECD a new sense of purpose. For a

time, the 29-year-old organisa-tion had seemed to lack a clear

role in the face of the broad

international consensus over

how to run modern economies

that has emerged in recent

economic progress and world trade, the OECD steadily

increased its influence in the

field of macro-economic policy

in the 1960s and 1970s. As the

agreed that monetary policy -the preserve of the central

part in the battle against infla-

One answer was for the

That expertise can now be

judged by the fact that non-

South Korea has been con sidering whether to apply, while Czechoslovakia said in

organisation to focus more on

impeded growth.

to join the OECD.

become a member.

Charged with stimulating

the ever-proliferating parlia-ments and regional assemblies was impressive not only for its diversity, but for its tolerance and economic sophistication.

A deputy from a remote farming district in central Siberia

ing district in central Siberia complained that wage compensation for higher prices would be ineffective until the banks started to pay positive real interest rates. Debating the new law on enterprises, the members of the Supreme Soviet, seemed fully cognizant of subtle distinctions between corporate ownership, management and effective conmanagement and effective con-trol. As for an effort by old-line delegates to argue that "workers' representatives" should instead be described as "trade unions", this was sharply slapped down.
The shops were certainly not full, but neither were they completely empty. Despite the stories in the western press, there were no food riots in Moscow. After the Government announced pians to treble bread and other food prices ten days ago, there was initial panic buying, followed by loud and universal condemna tion. By late last week, even the queues in many of the official bread and butcher's shops were only slightly longer than one

would find in Sainsbury's or D'A-gostino's on a busy Saturday

gostino's on a busy Saturday morning.

As for the "free" private market, the stalls were groaning under the weight of seasonal fruit, organic vegetables and delicious-looking cuts of meat, ranging from beefsteaks to roasting geese and suckling pigs. Altogether, the covered Central Market in Moscow on Saturday morning was a display which would have done Harrods' food department proud.

ment proud.

The trouble was that Muscovites could not afford to pay the private farmer's prices. At 11 o'clock on a Saturday morning, I counted five times as many merchants as contents as well as the contents as contents. chants as customers. Yet every stall was still trying to gouge 15 roubles a kile for beef (27 or 70p a pound, depending on whether you use the "official" or the "tourist" exchange rate).

This reised a fascinating possibility Procumply somewhere bility. Presumably somewhere

between the present official prices and the "free market" prices, inflated by the restrictions on private enterprise, a genuine set of market-clearing prices existed. To judge by the state of the markets and shops in Moscow and the obvious possibil-

ities for entrepreneurship, particularly in farming, distribution and services, the market-clearing prices for many Soviet goods, and possibly even the market-clearing rouble exchange rate, might not be as inflated as most experts

seemed to fear.
This impression was reinforced by econometricians within the Government's own planning apparatus, who said that state and collective farms were already making high profits from their wheat production before the pro-posed price increases. The price increases seemed to be necessary not for "supply side" reasons, but as a macroeconomic measure, to soak up the "monetary over-hang" in the economy. There were, in fact, strong hints that higher wheat prices would aggra-vate the agricultural economy's supply side by favouring large collective farms at the expense of

This leads us back to the prospects for "Poor Gorby". Gorbachev will survive the popular outrage against the Ryzhkov Government's latest reform pro-posals, by distancing himself from the price increases, stress-ing instead the need to accelerate changes in property, enterprise and monopoly laws. Meanwhile, the present debate will probably shift the balance of power between the pro-market radicals and the old-line technocrats rep-resented by Ryzhkov decisively in favour of the former. This was the overwhelming

This was the overwhelming impression gleaned from numerimpression gleaned from numer-ous conversations with Gorba-chev's closest economic advisers — discussions which would have been amazing for their frankness had they taken place in the White House or Great George Street but took on a dreamlike intensity in the inner sanctum of Stalin's Communist Central Committee headquarters in Mos Old Square. Essentially, it seems that last

month's economic plan was the last gasp of the "centre-right" coalition which Gorbachev had formed with the party traditionalists in order to co-opt them into the process of reform. With the right now in a "blind alley", Gorbachev should shift towards a coalition with the pro-market

This "centre-left" coalition will back a much more radical pro-gramme of private ownership and market incentives, leaving the



**Anatole Kaletsky** in Moscow

"monetary overhang" and pricing to take care of themselves. The contrast between the two propolitical significance. What is less widely recognised is its resemblance to the conflict between "supply siders" and fis-cal conservatives in the West. It could just be that the Soviet economy today, with its immense resources, its stifled entrepre-neurs and modest foreign borrow ings, would represent a perfect case for the "irresponsible" supply-side treatment. Perhaps Mr Gorbachev should thank western governments for their refusal to admit his country into the International Monetary Fond

3omics Notebook

# **ECD's new lease of life**

Prganisation for Cooperation and Inent (OECD) has row over farm proin grabbed the headministers from the 24 the OECD itself anuietly from the talks arper profile. age final communi-

ainted to a detailed amme for the organwell as a general about the current on economic policy the member states. CD will be kept busy aths ahead, preparing issues such issues such as pubiture, the encouragerivate sector savings

fore important, the on was recognised as a forum for policy wrween the industriuntries on the one the emergent market of eastern Europe vnamic newly indusconomies of Asia on last week's meeting

inisters highlighted nal aspect of the ork. Mr John Crosmadian trade minishis government the OECD's current jes of contact with member economies of the most imporof the organisation's he coming decade." umplest, policy diavarolves bringing actional experts and cials to share experi-

learn from each othg nations are frank other, it should play ingly important part cating the west's free meiples as the new ul standard of ecopresent age of global economic interdependence, lack of clarity about economic policies and conditions in one part of the world can be extremely dangerous elsewhere. Meanwhile, nothing testifies

better to the power of ideas to change the world than last year's collapse of Communism and the acceptance of free market ideas in most of the former Soviet satellites countries of eastern Enrope. Policy dialogue has gained in

importance as Western countries have recognised that the eastern European countries need more than financial assistance if they are to be successfully linked to the international economy.

Britain last week proposed a series of international conferences to share Western experiences of economic reform with the Soviet Union and eastern

But exchange of experiences may turn out to be more useful at less elevated levels. Earlier this year, for example, Poland sought help in drawing up a new competition law. National experts from the OECD's 24 member countries met in the organisation's Paris headquarters and told the Poles of their own successes and failures and so helped shape the Polish leg-

islation. The OECD is involved because it has a strong body of in-house expertise and long experience of running interna-

tional committees. But Mr Jean-Claude Pave. the OECD's Secretary General, appears refreshingly free of ambitions to be an empire

Recognising that much could be done away from OECD's Paris headquarters, he has proposed the creation of an agency to help eastern Europe that would be akin to the post Second World War European

# THIS WEEK

WEST German current account and balance of trade figures stand out in a week almost empty of major economic releases and punctuated by a noliday in most European mar-

kets today.

A batch of economic data is transferred know how from the US to the shattered countries likely to show the West Gerof Europe by seconding indi-vidual experts to tackle spe-cific problems on the spot or by taking Europeans to the US man economy in good shape as it girds itself for union with East Germany in the beginning of July.

to be trained in the latest There are no scheduled dates for the releases, but some None the less, the growing importance of information could appear tomorrow.

The consensus of analysts forecasts compiled by MMS international, the financial research company, is for a trade surplus of DM11.5bn (\$6.8bn) in April, and for the current account to total DM8.5bn. The sturdiness of the economy is also set to be confirmed by a predicted 0.5 per cent growth in industrial production in April.

Also due is the figure for first quarter gross national product (MMS predicts a quarter-on-quarter rise of 2.5 per 1980s dawned the OECD faced cent) supporting predictions an identity crisis. What role for 4 per cent growth for the whole of the year. could it have if all countries banks - should play the main

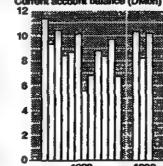
But it is equally clear that analysts expect this robust picture of the economy steaming head to change following unification with the east. The trade surplus, for one

will be sharply reduced after union. The east has a current micro-economic problems, pin-pointing mistaken policies and structural rigidities that account deficit, import demand is to grow, and Germany will be forced to purchase oil and raw materials from the Soviet used in eastern Europe and Union in hard currency for the elsewhere. Its value can be first time.

member countries are seeking Until this erosion of the surplus takes place, analysts are saying that the strength of the Yugoslavia, which has had associate status with the OECD for many years, asked to Deutsche-Mark will cause export volumes to tail off, with become a full member last trade balance.

Other notable events and statistics, with consensus fore-January that it wanted to casts from MMS in brackets, Today: Whitsun Bank holi-Peter Norman day - most European markets closed apart from Spain, UK

### West Germany Current account balance (DMbn)



and Italy. West Germany, unemployment for April UK, final retail sales for April, offi-cial reserves for May (up \$100m) credit business for April. US, first quarter revised

non-farm productivity. Tuesday: UK, manufacturin company liquidity survey, first quarter. US, automobile sales. Canada, inventories/shipments ratio, foreign reserves (down

Wednesday: US, Mr Nicholas Brady, treasury secretary, tes-tifies on banking laws; federal governor LaWare gives con-gressional testimony on credit availability. West Germany,

May unemployment (up 10,000).
Thursday: UK, Central Statistical Office investment intentions survey for manufacturing, CBI/FT survey of distributive trades, housing starts for April. US, consumer credit, Mr Alan Greenspan testifies before senate banking commit tee. Initial claims, wholesale trade, consumer credit (\$2.2hn) money supply (M1,30.2bn. M2 down \$1bn, M3, down \$2.4bn). Australia, first quarter manufacturing production, employment growth (down 5.500) housing finance (up 2.5 per

Friday: West Germany, speech by Bundesbank president Karl Otto Pohl, securities repurchase, retail sales for April, money supply M2 for April. net consumer prices. Canada, unemployment rate for May (7.5 per cent).

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SOVEREIGN RISK LENDING

# Bank launches court action on N Korea

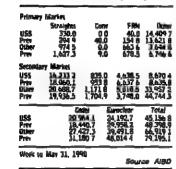
COURT action has been started against North Korea, which has paid no interest on loans to foreign creditor banks for six years. The suit, from a single so-far unnamed bank, is likely to be a prelude to a number of actions. A steering committee of four banks, which has for two years recommended that banks refrain from legal action, is expected shortly to lift this recommendation.

According to a telex from the steering committee to over 100 bank lenders last month: "The North Korean government banks have not responded to repeated attempts to start negotiations. The debt is clearly not a priority matter for them. The committee considers the commencement of legal action in diverse jurisdictions inevitable.

The loans, denominated in Swiss francs and D-Marks, were made by four syndicates of banks in the 1970s, led by ANZ Bank, Morgan Grenfell, Ost-West Handelsbank and Hessische Landesbank, Principal and overdue interest now total SFr701.4m and DM1.07bn, making a total of \$1.13bn. Three of the loans, covering the bulk of the debt, are governed by English law and the

other by Swiss law, The majority was formally called into default in August 1987, a move which cleared the way for court action. A debt forgiveness plan, which would have meant the consolidation of the loans under the name of the Korea Daesong Bank and creditors receiving 30 per cent of what they owed, was put to the banks two years ago. It proved a divisive issue: a majority of banks led by ANZ

### EUROMARKET TURNOVER (\$m)



vigorously opposed forgiving debt to what they viewed as a delinquent debtor, while a minority led by Morgan Grenfell saw the deal as providing some income from loans they had substantially written off. To facilitate that agreement

the Koreans paid \$5m to Morgan Grenfell, which, as far as can be ascertained, is still on deposit there, a possible sign that the 30 per cent deal is still on the table

The steering committee ANZ, Morgan Grenfell, Crédit Commercial de France and Royal Bank of Canada - concedes "Whilst any assets seized or judgments obtained will not extinguish the whole debt, considerable impact on the Koreans' thinking and priorities is likely." It is far from clear that any court action would succeed. The borrower named on most, if not all, of the loans is the Mooyok Bank, or foreign trade bank, which appears to own few assets abroad. In 1988, the law firm Allen & Overy said: "The prospects of a claim under English law (against the Republic) presently appear

Worries about court action in 1987 prompted the Koreans to stop shipping exports of about two tonnes of gold monthly through London, The Koreans are also said to own office suites in Vienna and Paris. Establishing the owner-ship of these may be difficult. There may also be bank deposits and trade finance credit lines which could be affected. But as the leading banks hint, probably the main impact on the North Koreans would be to hamper any attempts to normalise relations with the outside world. Since 1987, when there was estimated to be 140 bank creditors, the number of bank lenders appears to have fallen. This is in part due to the purchase more than a year ago - at about 9 cents on the dollar of about \$100m face value of

North Korean debt.
The UK investment bank, J.
Rothschild, is said to have been behind the purchases, which have so far, of course, yielded nothing, but which may relate to the warming of relations between North and

Stephen Fidler

# Eurobonds may begin to look like a niche business

THE growth of global and international bond issues. highlighted recently by deals for Belgium and ESOP Finance Trust, has led to a need to reassess the outlook for the Eurobond market. Does the global structure signal the end for the traditional market?

In recent years there has been a move away from Eurobonds in their classical definition as bearer instruments tailored for retail investors as a tax dodge. One syndicate manager remarks: "Eurobond is an out-dated name; we should be looking for something else." The increasing institutional-

isation of the market has been isation of the market has been the driving force behind the issuance of internationally traded bonds in a commonly accepted form. It has been accompanied by new methods of valuation, more complex instruments and the growth of spread analysis. spread analysis.

This is clearly evident in once-retail currency sectors of the Eurobond market like Ecu and Canadian dollars which are now split evenly between retail and institutional demand. The growth in the

number of houses active in linvestors have to compare these sectors is one obvious securities to know what to buy,

But the growth of the global format has raised important questions about what classifies as a Eurobond. At one level, classification simply dictates which issues qualify for busi-ness league tables and helps determine the business profiles of individual houses.

In addition, however, it potentially undermines the tralitional advantages of the Euromarket. There remains a significant non-US market for bearer bonds. Global bonds and paper distributed in the US under Rule 144a have to be registered securities. Many European govern-

ments are now looking at ways of exploiting the institutional-isation described above to reduce the tax-dodging advan-tages of Eurobonds. They are thought to be planning issues of registered securities avail-able for global subscription.

For investors and underwrit-ers alike, the proliferation of different types of international securities is creating problems of information assimilation.

but some recent international issues have thoroughly con-

fused the market. For example, last week's ESOP Finance Trust deal was compared variously with US
Treasuries, stand-alone Exxon
bonds and similar asset-backed issues like the recent Citicorp credit card bond.

Syndicate managers have noticed a pronounced tiering, with the Eurobond market dividing into houses concentrating on their individual strengths. Thus, relatively few entities are competing in the truly international, mainly dollar-based busines

The majority of houses has been forced to specialise in a diminishing number of retail currencies blocs with the emphasis increasingly on domestic markets. If anything, these mainly retail, bearer bond sectors will become more

The big dollar houses say they are no longer invited into retail deals and argue that this suits them. "We don't have the back-up, or the cost structure

to sell retail paper. We're now doing institutional deals only." was one official's comment.

There is still some crossover, with houses like Deut-sche Bank, UBS Phillips & Drew and Credit Suisse First Boston retaining a retail capability. But in general, there are now two Eurobond markets, one international and institutional, the other domestic and retail.

The tiering of the market has affected profitability. Niche business has tended to remain profitable. However, this year, profits have been sporadic.

The institutional, or global market has been rather less profitable. Extreme competition on pricing and commis-sions has limited returns. The big houses which want to play in the global market find them-selves in a double bind, because they tend to be the same houses which dominate

the US domestic market. The corporate market in the US corporate market in the US consists of around 200 invest-ing institutions motivated by their own cash flows and a macro-economic view of the

domestic scene. A handful of houses is marketing to these

For a borrower, the logic for bringing a global deal, or simply a non-US deal which can be distributed there but circumvents US reporting requirements, is to access a wider investor base in the hope of increased liquidity. The coincidence of cheaper commissions on the Eurobond market makes the case look compel-ling. If the global form expands, it will inevitably be at the expense of the steady commissions earned by securities houses in the US domestic market. In other words, compe-

fees. As one syndicate manager put it: "The global structure has shown that the interna-tional dollar market cannot exist as an independent entity from the US market. The two

tition will close the gap

between US and Euromarket

are merging."

This might mean the development of a non-global dollar market where low-rated borrowers pay a yield premium to tap demand from retail inves-

tors. The Eurobond market

will also set the pace on bring. ing down fees in other domestic markets. As a result of the extraordinary deregulation of the late 1990s, investors will be increasingly tempted to access

liberalised domestic markets. There is a widespread realis ation that securities have proved inefficient for taking and adjusting positions. Some analysts think in the 1990s investors will radically alter the structure of their portfo-

They will hold a core of secorities and use derivatives to implement their trading and investment strategies. This will make more efficient use of credit and reduce the risk of settlement failure.

A consequence of this is that secondary market trading of bonds will decline. The Eurobond business will then look truly like a niche business. It might not be long before it is recognised for what it is — an established international securities market which happens to rities market which happens to he based in London.

Andrew Freeman

# NEW INTERNATIONAL BOND ISSUES

						MEM INIE	DIEW: IA	INTE DOME TOTAL							$\overline{}$
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Skopbank <b>⊕</b> ♦	100	2040	(p)	(PI	700	Merrill Lynch		LUXEMBOURG FRANCS							
***************************************								Belgelectric Finance(n)★★◆	300	1994	4	93 93	102	Credit Europeen	9.25
AUSTRALIAN DOLLARS					_		41, 422	Compagnie Bancaire(n)★#◆	300	1995	423	93	101%	Banque Paribes Lux. Kredietbank Int.	5.73
Shell Australia	100 50	1993	3	15 k 20 15	101 %	Hambros Bank	14.438	Interlin. Cr. National	300	1993 1998	3	97 91	101.95	Credit Lyonnais	9.10; P.30;
Gouncil of Europe(f)   McDonald's Rest. Canade	100	1991 1995 2000	1	20	101 %	Bankers Trust Int. Deutsche Bk Cap.Mkta	17,935 14,513	Barque Worms**	500	1996		34	102	Clear Lyonners	. story
State Bank Sth Australia	100	5000	10	14 2	102	Hambron Bank	14,115	AUSTRIAN SCHILLINGS							
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Kyotaru Co.★#◆	94	1887	•	-4	101.5	Left parit (pentennand)	9.100	Okobank*★◆	3bn	1997	7 %	(m)	10112	Bk of Tokyo Cap, Mkts	
SWISS FRANCS								Swedish Export Credit	30bn	1983	8	6%	1014	LTCB Int.	8.49
Asian Development Bank	160	2000 2002	-	71 <sub>4</sub> 71 <sub>9</sub> 71 <sub>8</sub>	102	UBS	8,966	**Private placement.   *Variable aggreed interest. b) Fungible with	rate Potes.	Convertible.	♦Final Semi	s. aj Fungible	with axial	ing \$250m band from July 2. of Interest of But cation after	10 years at 15
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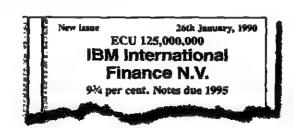
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provisions of Sicilon 6.02(a) of the Indenture dated as of December 17, 1986, the entire outstanding manural of the above referenced Notes has been called for redescription and payment on the real therein Psychemical Data, June 19, 1990. The Radampsion Price shall be 100% of the principal amount of teach, Note, plass Accrued Interest to the Payment Data, Psychest of the Principal Amount of such Note shall be made upon presentation and surrender of your Note at the following loogstor: Principal Among of each upon presentation and ner the following location: Chemical Bank By Mad: R.D. Buz 25941 Church Street Straum New York, NY 10346

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Official List of the ordinary shares, the preference shares and the new ordinary shares to be issued pursuant to the acquisition and proposed rights issue.

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2,000,000 4,293,751

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for 19,580,462 14% Unsecured Subordinated Compulsorily Convertible Debentures to be admitted to the Official List.

### **Tollgate Holdings Limited** (Incorporated in the Republic of South Africa Registration No: 05/33690/06)

Rights Offer of 19,580,462 14% Unsecured Subordinated Compulsorily Convertible Debentures at a price of 225 cents per debenture Share capital

Ordinary shares of no par value 14% unsecured subordinated compulsorily convertible debentures

100,000,000 53,953,231 19,580,462 19,580,462

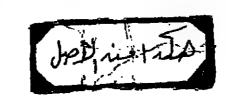
14% unsecured subordinated redeemable convertible debentures 3,636,363

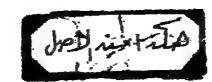
Listing Particulars are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained during business hours (Saturdays and Sundays excepted) up to and including 6th June, 1990 from the Company Announcements Office, The Stock Exchange, London, EC2A 190 and up to and including 17th June, 1990 from:

Tollgate Holdings Limited, 29th Floor, Trust Bank Centre, Adderiey Street, Cape Town 8001, South Africa

Barclays Registrars. Fleetway House, 25 Farringdon Street, EC4A 4LP

4th June, 1990





### INTERNATIONAL CAPITAL MARKETS

# Tarket becomes a good European

me a good European but mixed benefits. A decisive ge of sentiment about UK income securities has fed by the belief that the will definitely enter the ange Rate Mechanism of European Monetary Sys-

t, ironically, market-makcave been caught on the g foot and have yet to see of the benefits of this e. They may have further ises in store.

Bank of England is let-it be known informally gilt-edged market-makers Ms; made money in the quarter of this year. ding to market partici-This was before the nd but it is an important ig point. The market has through some lean years Big Bang and has lost al market-makers and jobs within the survi-

ther turning point is ast month, when non-US had their best perforsince 1987, according to lorgan's bond index, gits le list of gainers. They a return of 5.93 per cent rling investors. other turning point is

sudden reversal of this u is only partly responsi-or the problems which onted GEMMs in May. rincipal reason for illiy and added volatility in arket is the lack of stock derives from the Govint's prolonged absti-from funding and from .. \_ :ac's buy-in programme.

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14 July 1999

UK gilts yields Restated at par (%) 13.0 May 25, 1990

The market has mixed feelings about the return to fund-ing. It would increase supply of stock, thus easing liquidity problems, but if that increase is out of line with demand prices would suffer.

11.0 Jun 1, 1990

10 years 20 30

When funding resumes, however, it need not be in sterling. The Government has previ-ously raised money in dollars and has issued ECU-denominated Treasury bills. At some time in the future, it is likely to follow the Italian and French governments and issue

ECU bonds.
This idea has two main proponents in the City and, not surprisingly, both are associated with securities' houses which have a strong presence in ECU markets. Mr Jim O'Neill, of Swiss Bank Corporation, has been kicking the idea around for some months. He said the advantages of an ECU issue are fourfold: ECU issue are fourfold: European transactions would probably come to be denomi-

in terms of interest rates; Boister the reserves and sig-

nal commitment to a firm exchange rate for the pound;
• Signal firmer political and economic interest in European integration;

• Underpin London's status

as Europe's dominant financial centre and strengthen its position as the centre of the growing ECU market. Mr Stephen Lewis last week

proposed an ECU issue through his own research pub-

head of UBS Phillips & Drew.

The arrival of ECU bonds would undoubtedly complicate the market's perception of the funding equation still further, he argues, but that is to miss the point. With EMS entry will come greater UK involvement with the ECU. More importantly, with European Monetary Union will come greater UK interest in establishing the ECU as the main European currency, Mr Lewis argues.

Mr Peter Clark of Kleinwort Benson believes that there will always be a place for sterling issues and is sceptical of an

arrangement that involves a single Euro-currency.
But there has been a quiet explosion of private papers on EMU in the last month and Mr Lewis' arguments are part of this. "It is doubtful whether the presence of links between national currencies would be widely trusted," he says of the EMU option, whereby national currencies would persist along-side a Euro-currency. "Intranated increasingly in the domi-nant currency in the system. This would probably be the D-Mark."

The implication of this is that the pound would be left out in the cold.

The City could also find itself presiding over a rump of European bond and currency markets. For international investors, gilts might seem small fry compared with alternative European attractions.

"There are strong reasons, therefore, why most RC-member states should prefer monetary union based on a single currency to a multiple cur-rency system," says Mr Lewis. This is his main argument for an ECU bond: it is a case of enlightened self-interest. There are equally coherent

There are equally concrent and persuasive arguments against a single currency. They lie behind the UK Government's proposal for "Competing Currency" and also the follow-up proposal which is currently being prepared by the Treasury. The Bank also has strong views on EMII and the Treasury. The Bank also has strong views on EMU and they do not point in the direction of a single currency.

The idea of an ECU bond meets the verbal equivalent of a blank stare from the authorities at the moment. But the

inter-governmental conference on monetary union is only months away. Those British politicians and financiers with an interest in the process are already making their voices beard; especially those with a foot in the ECU camp.

Andrew Marshall

**US MONEY AND CREDIT** 

# Hopes grow of easing by the Fed

That is the main question being asked in the bond mar-ket this week following last Friday's unexpected employ-ment statistics, which sparked a strong rally in US Treasuries.

Bond market trading had been fairly subdued last week ahead of the monthly employment statistics, which are viewed as one of the most use viewed as one of the most use-ful indicators of economic activity. And the May figures had been awaited particularly anxiously, since they were the first since the start of the year to be free of special factors, such as the distorting effects of the useather

the weather.

They were thus seen as providing the best indication in some months of the strength of the economy, and were given added weight because of the added weight because of the contradictory signals provided by a wide range of economic data over previous weeks.

Some of these figures had pointed to relatively buoyant economic growth, suggesting that the Fed might have to

tighten monetary policy, given its concern over the inflationary forces in the system. But an increasing number of other figures had pointed to a slow-

HOW soon will the Federal Reserve move to ease US mon-etary policy? encourage the Fed to ease. When Friday's figures were finally unveiled they pointed strongly towards an eventual relaxation of credit policy. The data showed that in May nonfarm payrolls expanded by 164,000 workers, well below the 350,000 consensus figure pre-dicted by analysts. Further-more, most of that increase was accounted for by the hir-

ing of part-time workers to

carry out the US census. April's data was also revised, to show a drop of 23,000 jobs, rather than the 64,000 advance initially reported - the first monthly drop in almost four years. "Labour market develop-ments over recent months are now fairly clear," said Dr Janet Norwood, the Commissioner of Labour Statistics. "Employment growth has been very slow, and what growth there has been was concentrated in very few industries. The private sector has been stagnant for the past three months, with

job losses in construction and manufacturing." Some aspects of the data might be interpreted more pos-itively. For example, there was an increase of four-tenths of an hour in the length of the average factory working week. But this is probably a reflection of employers' reluctance to take on more staff in an uncertain economic climate. Carmakers, in particular, are

anxious to avoid a run-up in payroll numbers ahead of this autumn's pay negotiations with the unions, when job security is likely to figure on the agenda.

A more positive figure cer-

tainly came on Friday when the National Association of Purchasing Management released its latest survey of members, showing its index of economic activity rose in May to 50.7 per cent, the highest level since January last year, compared to 50.2 in April A reading below 50 per cent suggests the economy is in decline, and the April figures were the first positive ones in

However, the purchasing managers' figures do not reflect vigorous expansion, and the overall impact of Friday's data was to strengthen the hand of those arguing that the economy is slowing to the point where inflation is being contained, but recession is not yet a threat

The result was a sharp rally in Treasury bond prices, with the benchmark 30-year issue gaining a full 1% points on Friday, making a 2% point rally for the full week and a drop in the yield of 22 basis points through the 8.5 per cent resistance level to 8.44.

tance level to 8.44.

The shape of the yield curve was essentially unchanged on the week, with a 16 basis point the week, with a to basis point 10-to-two-year spread, and a 1 basis point spread between the 10s and 30s. The past month has seen a slight flattening of the much steeper, positive curve that emerged earlier this year as inflationary fears hit prices hard at the longer end. But lingering concern over inflation, and a sharp rise in the US Treasury's demand for short-term paper, seems likely to keep the curve in essentially the same configuration in the

near-term.
The upshot of the past six

bond market sentiment has moved rapidly from concern anticipation that the Fed will relax the 8.25 per cent figure it has targeted so far this year for the key short-term Ped funds

However, most analysts think it unlikely the Fed will move quickly to bring rates down. The cautious Fed policymakers resisted pressure for a tightening earlier in the year during the inflation alarm and are likely to take a similarly restrained view until they have seen a lot more evidence of current economic trends.
According to the economists

at Salomon Brothers: "At a minimum, Fed officials are employment news to upcoming inflation readings. Any chance of easing - and perhaps a fur ther bond market improvement - depends more on extending April's favourable price news through May and June.

So the scope for much more of a bond market rally seems limited in the weeks immediately ahead, with some risk of a dip if the inflation figures contain some nasty surprises. And over the longer-term, even assuming an easing of credit. the bond market's ebullience could be constrained by the demands of the federal budget deficit, the bail-out of the thrift industry, and by currency and other external factors,

Lower US interest rates, cou-pled with poor economic growth, will put pressure on the dollar (which held up well on Fridsy). And that, together with the likelihood of tight money policies in West Ger-many and Jazan would rether many and Japan, would reduce the relative attractiveness of hand, a very different picture could emerge if greater political upheaval in eastern Europe prompted a flight of capital to the American safe haven.

**Martin Dickson** 

### FT/AIBD INTERNATIONAL BOND SERVICE

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US MONEY MARKET RATES (%)

# SocGen sells LDC debt

SOCIETE Générale, the French bank, has taken \$600m of less developed country (LDC) debt off its balance sheet by selling it to a newly created company in Jersey called Findico, Mr Marc Vienot, chairman, told in Jersey called Findico, Mr Marc Vienot, chairman, told the annual meeting, Reuter

Fart of the money will be used to buy the \$600m face value of LDC loans at a discount.

reports. Bank officials declined to say who controlled Findico. To carry out the operation, the French bank is making a 30year loan of \$600m to Findico.



# We arrange only those mergers that we know will result in long-term business harmony.



Think together, grow together

Think about it. Pierre and Marie Curie, Wilbur and Orville. Gilbert and Sullivan.

Irrefutable proof, one and all, that two heads are better than one - as long, of course, as they work with one another toward their common end. At Nikko Securities, we believe that no two

entities, business or otherwise, should come together without common principles and a common vision. Which is why all the M&A transactions we've

arranged so far have been friendly in intent. All provided mutual benefits in equal measure. And all, predictably, have led to accelerated growth and sustained business harmony.

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Recently, Nikko put this policy into practice by strengthening our own ties with the Blackstone Group of New York who, like us, have no dealings with raiders. And no financial buccaneers for clients.

Backed also by our 119 branches across Japan, M&A teams in almost every office in our 19-country network, and comprehensive financing services,

Nikko is positioned now as never before to bring businesses together from around the world.

If you haven't yet hit the right chords in your search for new business partners, it's time we had a talk. It could be the prelude to a great joint performance.



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DOM NEW ORK ZURKUI GENEVA LUGANO FRANKFUKT LUXEMBOURG PARIS COPENIAGEN MILAN MADRID AMSTERDAM RAHRAIN NEW YORK SAN FRANCISCO LOS ANGELES CHICAGO TORONTO HONG KONG SINGAFORE BANGKOK SECCI. DEJUNG ORIGIDAS SHANGITAL SYDNEY MELBOURNE This advertisement has been round by The Nikko Securities Co., Ltd., and has been approved for the purpose of section 57 of the Financial Services Act 1986 by The Nikko Securities Co., (Europe) Ltd., being an authorized person under the act.

# INTERNATIONAL COMPANIES AND FINANCE

# Hafnia takes 10% of Baltica Holding

HAFNIA HOLDING, the Danish insurance and investment group, has taken a stake of more than 10 per cent in Baltica Holding, its main rival in the Danish insurance market. Reuter reports.

Hafnia regards the stake as a financial investment, Mr Per financial investment, Mr Per Villum Hansen, managing director, said. Hafnia Holding already holds 11.3 per cent of the share capital of Baltica's biggest unit, Baltica Insurance. Baltica Holding shares closed up DKr1 at DKr898 on Friday, off the day's high of DKr907. The two groups we for the leading position in the

the leading position in the Danish insurance market. Hafnia reported record group net profit of DKr1,52bn (\$236m) in 1989, with shareholders' equity of DKr6.35bn and assets

Baltica reported group net profit of DKr941m in 1989 with shareholders' equity of DKr10.57bn and assets of

Both groups have diversifed from insurance into other financial services, and both have exchanged shareholdings with French insurance and banking groups. Baltica with Cie Financière de Suez and Hafnia with Cie Financière de Paribas.

### Hispano Suiza plans 10-for-one share split

By Tom Burns in Madrld

GRUPO HISPANO SUIZA, a Spanish industrial holding company owned by large European institutional investors, is to recommend a 10-for-one share split that will reduce the nominal value of its shares to Pta50, the lowest on the Madrid's boisa.

The move follows concern over the group's liquidity on the bolsa where 8 per cent of its equity is traded at a price of around Ptal7.000, making it one of the heaviest share prices on the Spanish market.

The split will increase then

umber of shares on the free float from 880,000 to 8.8m and could increase the share trad-ing in the group.

# **Consolidated Press** agrees Bond Media recapitalisation

By Our Financial Staff

solldated Press Holdings has clinched an agreement with Bond Media over a recapitalisation of the Bond Corporation unit, giving Mr Packer control of Australia's top-rated Chan-

nel Nine television network.
The recapitalisation, agreed at the weekend, involves a capital reconstruction of Bond Media's ordinary shares and the conversion of existing preference shares held by Consolidated Press into ordinary shares, Bond Media said.

Mr Packer, the former owner of Channel Nine, Bond Media's (US\$154m) and said he would wind up the company unless he was repaid.

Bond Media said the recapitalisation also involves a ren-ounceable rights issue with the proceeds used to repay debt to Bell Resources. Consolidated Press and Bond

Corp will not take part in the

The agreement is subject to the approval of a National Australia Bank-led syndicate of banks which is owed A\$367m

MR KERRY Packer's Con- by Bond Media. It would also require Bond Media shareholder and regulatory approv-

After the recapitalisation Consolidated Press will have a controlling shareholding in Bond Media in excess of 50 per cent," Bond Media said. Mr Packer will be chairman of Bond Media and Consolidated Press will have a majority on

Mr Packer withdrew a take-over bid for Bond Media in April which valued the company at A\$52.8m or 10 cents a share because of the expiry of its underwriting agreement. On Thursday, two units of General Electric of the US -NBC International and General Electric Capital Corporation and Hellman & Friedman, a US private investment fund, had offered Bond Media a A\$200m refinancing package. This was mainly for the partial repayment of debts owed to the NAP led available to The leaf NAB-led syndicate. The lastminute proposal was rejected, but the door has been left ajar for GE to come forward with further proposals if it chooses.

# National Bancshares deal strengthens NCNB base

NCNB, the US super-regional banking group, will strengthen its position as the leader in the Texas banking market with the purchase of troubled National Bancshares of Texas, Reuter

reports.
NCNB bought nine of the troubled San Antonio-based company's 12 banks on Friday for \$59m, much lower than analysts' estimates, in return, NCNB picked up 24 banking locations and about \$2bn in assets. The Federal Deposit Insurance Corporation chipped in \$581m in assistance.

The transaction caps a whirlwind acquisition campaign which saw NCNB rise from zero presence in Texas two years ago to the state's largest bank with \$33bn in assets at

the end of last year.

Separately BankAmerics, the West Coast bank holding company, said it acquired the

retail network of insolvent Western Savings and Loan Association from the US government's Resolution Trust Corporation with a bid of \$81m. Bank of America will assume

all \$3.5bn of Western's depos-its. It said service to Western

Savings customers would not be interrupted. It said it would begin operat-ing Western Savings immedi-ately as Bank of America Ari-zons. Western Savings has 61 Arizons branches and has about a 12 per cent market share in Maricope County, the

bank added.

BankAmerica said it also acquired about \$1bn in consumer and residential loans from Western Savings, and about \$2.50n in cash and cash

It said it has the option to return to RTC loans that do not meet certain criteria.

# **Nynex** indicted on contempt charge

By Karen Zegor

NYNEX, the north-eastern US regional telephone company, has been indicted by a federal grand jury on a charge of criminal contempt for violat-ing the 1982 consent decree that settled the litigation sur-rounding the break-up of American Telephone & Telegraph in 1982. The consent decree bars

Nynex and the six other regional telephone companies created in the break-up from providing several services, including long-distance tele-phone service, telecommunications equipment manufactur-ing and generating computerised information available over telephone lines.

Nynex has been charged in
the single-count indictment
with wilfully providing information services by selling computer data processing services, through its Telco

Nynex said the allegation is Nynex said the allegation is "without basis in law and fact" and that the company is "confident that a trial of this case will confirm to our customers, our shareholders and the general public that Nynex has fully and completely met its responsibilities" under the consent decree.

The Institute Department said

Research division, over tele-phone lines to MCI Communi-

consent decree.

The Justice Department said this is the first criminal case charging a violation of the decree. The case will go to trial before Judge Harold Greene, the federal district court judge who oversees the consent decree.

### Fischer stake placed

One of the largest secondary placements of shares in the Swiss market since the stock Swiss market since the stock market crash of 1987 was completed last week, writes Stephen Fidler. Swiss Bank Corporation said it successfully placed 47.500 bearer shares at SFr2,300 each in Georg Fischer, one of the largest Swiss engineering companies. The shares, about 10 per cent of Fischer's capital, were held by the Geneva-based Atelier des Charmilles.

# Sceptics' roar greets sale of the lion

hree days from now, if all goes as planned, Met-ro-Goldwyn-May-er/United Artists, the legendary Hollywood film and television studio, will change hands for a little more than \$1.2bn. Sceptics abound, and with good reason.

The seller is Mr Kirk Kerkorian, the eccentric and reclusive 73-year-old Armenian-American casino mogul who during the past 21 years has bought and sold chunks of MGM/UA so many times while making a personal for-time from the deals and yet sending the studio skidding into the red — that much wariness surrounded the announce ment three months ago that he had agreed to tender his 80 per cent of MGM/UA stock.

The scepticism, however, is nothing compared with the violent reactions that have been elicited by the prospective buyer of MGM, a curious financier with a police percent in his cler with a police record in his native Italy.

native traly.

His name is Giancarlo Parretti and he is — at least under Italian law and unless an appeal changes his circumstances - a convicted felon who in April was sentenced in Naples to nearly four years of prison on charges of fraudulent bankruptcy.

If Mr Parretti is a convicted criminal in his native Italy (he dismisses the conviction as "nonsense"), he is commonly described in Hollywood as a mystery man. He is also an

angry man.

He has even launched a series of lawsuits against US and French publications that have made allegations about some of his business practices and connections. Mr Parretti

has denied everything except his police record and recent jail sentence, which are a mat-

ter of public record. He has been operating in the US for less than three years, having first arrived in late 1987 when he bought control of the ailing Cannon Group from a couple of Israeli cousins -Yorum Globus and Menahem Golan - who are best known for their cheap and tawdry

exploitation films. Last year Mr Parretti bought Pathé Cinema of France and then rebaptised Caunon as Pathé Communications. Since then he has embarked on a string of failed takeover deals.

# Alan Friedman finds the film industry looking askance at the latest in the MGM/UA saga

At the start of this year, how-ever, he finally persuaded Mr Kerkorian to sell MGM/UA to him, but scepticism about his ability to raise the cash

Mr Ross agreed to guarantee \$650m of loans for Pathé, thus providing the springboard that should enable Pathé to complete the MGM/UA takeover. Without Time Warner, or a

have been unnerved by Mr Par-rettl's run-in with the law, but

in exchange for the \$650m loan Mr Ross is obtaining distribu-tion rights to the United Artists film library. These are of enormous value as there is only a finite quantity of titles in existence and the UA library is believed to generate more than \$200m of annual reve-

Standard & Poor's, the US debt rating agency, reacted to the deal by placing Time Warner on creditwatch as it increases the exposure beyond the company's already considerable \$10.6bn debt burden. Mr Parretti was in a jubilant yet feisty mood on Friday, claim-ing he had now secured the

Mr Parretti's most crucial ally and strangest bedfellow is Mr Steve Ross, the glitzy 62-year-old chairman of Time Warner, the world's largest media and entertainment con-

similar backer, Mr Parretti would probably have failed. Some Time Warner directors

final \$450m of funds needed to close the MGM/UA deal, but refusing to name the banks

which are backing him.

The \$450m will come as a loan to Pathe from Comfinance, the Luxembourg vehicle that is itself 80 per cent controlled by Mr Parretti and his wife and which in turn owns 88.5 per cent of Pathe. Mr Parretti is thus effectively lending money to himself.

Mr Florio Fiorini is Mr Parmr Floris Florini is Mr Fat-retti's main partner in Comfin-ance and the chairman of Pathé who in 1982 was forced out of his job as finance director of Italy's state-owned ENI group after failing to mount a rescue for the late Roberto Calvi's Banco Ambrosiano. Speaking in London on Fri-day. Mr Fiorini said that Warner money and \$150m that has aiready been paid as secu-rity deposits on MGM/IA stock, the rest of the Comfin. ance funds include \$150m of

loans from European banks. These loans are ahead of the planned sale of Renta, a Spanish real estate business. He said \$30m is being raised from the sale of unspecified assets owned by an undisclosed subsidiary of Comfinance. A final \$120m would come in the form of short-term bank borrowings by Mr Fiorini's Geneva-based Sasea holding company from a Paris-based Arab bank and three European banks.

As for future strategy for the battered MGM lion, Mr Parretti has revealed precious little of substance. He has made a few bold statements about how he aims to create the biggest trans-Atlantic film producer and distributer by matching his Hollywood businesses with his 1,000 European cinemas.

Yet under the deal with Mr Ross's Time Warner, the US conglomerate could end up owning 20 per cent of a com-bined Pathe-MGM/UA. What would happen to the Time Warner deal if Mr Par-retti succeeds this week in his

takeover and then at some later date stumbles, either for financial or other reasons? Mr Ross's Time Warner is playing an extremely cool hand in this delicate deal. It has, after all, told the US media on several occasions that its deal

is with Pathé and not with Mr Parretti himself, The tone is far more that of marriage of convenience than the beginning of a beautiful friendship. And that is before the deal is even done.

# Corona to outbid Placer

By Robert Gibbens in Montreal

CORONA, the Canadian resources group, plans to raise its share-exchange bid for Stikine Resources, a key Vancouver gold exploration company, from just over C\$60 (US\$51) a share to \$75.69 or around This would outbid Placer

Dome, North America's largest gold producer, which bid C\$67.50 a share cash or C\$230m last week to top Corona's ini-tial offer.

Stikine owns half the valuable Eakay Creek gold property in north western British Col-

umbia. Five gold mines may be developed in the area. Corona, which earned

C\$10.4m or seven cents a share in the first quarter, double the year earlier level, owns 50 per cent of two Hemlo gold mines. it already owns part of Stikine indirectly through another Vancouver exploration firm.
Its latest share-exchange bid for Stikine is part of a merger

plan affecting several compa-However Corona does not have the resources to make a full cash offer.

# Tamoil takes over Gatoil

By Our Financial Staff

COURT-appointed admin-istrators of Gatoli (Suisse), the troubled Geneva-based oil company, have accepted a takeover offer worth more than SFr200m (\$140m) from Tamoil, Gatoil said. Tamoil, owned by Libyan-controlled Ollinvest and Swiss

finance company Sasca Hold-ing, made its offer with Migrol Genossenschaft Zurich, a Swiss company. A rival offer made jointly by Elf (Suisse) and Agip (Suisse) was rejected, Gatoil said. It gave no reasons for the rejection.

Tamoli has undertaken to take over Gatoil's refinery at Collombey and all the company's staff, including those at the refinery, the statement

Gatoll, which employs 1,200 people and has 350 petrol stations in Switzerland, has been up for sale since its owner Khamil Ghattas was arrested in March last year in connection with huge losses at Klöckner & Co, the West German trading group. Lebanese-born Ghattas was extradited to Ger-

# A MESSAGE FROM THE CHAIRMAN TO LYONNAISE DES EAUX SHAREHOLDERS

1989: a good year of development for Lyonnaise. Group turnover increased 15 per cent over 1988 to 21.6 billion francs, and net earnings amounted to 726.3 million, a rise of 31.3 per cent. Your General Meeting therefore proposed a dividend distribution of 9.25 francs per share as compared to the preceding year's 8 francs, a 20 per cent gain

The "industries of the environment", which are the source of strength and reputation of your group, are made up of three major

sectors, each recording good growth: - water distribution and water treatment, with turnovers respectively of 8.0 and 2.4 billion francs for a total 11 billion;

- waste management, with nearly 3 billion francs; - the energy sector, totalling almost 4 billion.

Group activities, which can be referred to as "serving the community lifestyle," pertain to the new sectors of communications, leisure and health-care, and to the providing of funeral directing services, with revenues exceeding 2.5 billion francs.

investments and the financial market

Communications, leisure and health should reach financial break-even in the next several years; your company is investing for the future, for the long term, and is attentive to maintaining regular growth in earnings and in dividends. Your Lyonnaise share is appreciated in the marketplace: In 1989 it gained 65 per cent in value as compared to the 32 per cent of the CAC 40 index, an increase that was also favored by the four-for-one stock split of September 1989. The first period of 1990 has

Finally, your authorization to apply to the financial market granted at the General Meeting of 13 March, 1980, resulted in a very well received two-billion franc issue of bonds with warrants, which included a 620 million franc international offer. Your Board decided to proceed to the early redemption of the 6,05 % March 88 convertible bond issue. As a consequence, 1990

will show a significant decrease in financial expenses and a 15 per cent increase in capital. These operations reinforced your Board's Intention to carry out a strong investment program — 0 billion francs for the group, nearly double the 1987 sum - in France and abroad, and particularly in the British privatised water authorities. Group investments were essentially in its environment related professions the importance of which is increasingly being recognized.

# Industries of the environment

it was revenue years ago that the French government — one of the first in the world to do so — established a Ministry of the Environment. Few at the time grasped the full import of that event. Today however, there is a growing realization in political circles in France and other countries that the preservation of our living environment is a very real priority, perhaps the highest, tince it touches the daily lives of everyone - their food sources, health, even ethics. Each has become aware that the quality of life of future generations is in the balance.

The concern goes beyond major catastrophes - the drying up of the Aral Sea, Chernobyl, pollution of the Alaskan coast - or the meetings between heads of state so heavily covered by the media. Complex problems have now become commonplace and daily confront governments and leaders of industry: drought forecast for regions of southern France and the eastern half of Spain; widespread hostility to fadilities - admittedly still imperfect - for the disposal of urban and industrial waste such as incineration plants and industrial landfills; the gradual infiltration of our underground water sources by pollutants of all types: nitrates,

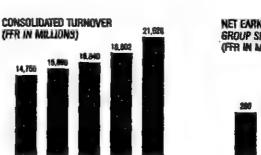
More than 80 per cent of Evonnaise group businesses are directly related to the environment; production and distribution of an advauate supply of good water, treatment of wastewaters, collection and disposal of waste, management of energy, prevention of

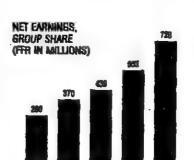
Few groups in the world have deliberately chosen the vocation of "industries of the environment."

# Challenges and Opportunities

New opportunities are born of new challenges; the opening up of Eastern Europe, where the environment has suffered forty years of neglect with resulting catastrophic levels of water and air pollution; norms for drinking water and waste disposal that have everywhere become more stringent and demand the mobilizing of the most advanced technologies; recognition by governments and producers of waste that the higher costs of sophisticated recycling and treatment methods must finally be accepted. The concept of what the city of the future should be is undergoing a veritable revolution - one in which your company is actermined to play an active role. Global warming, depletion of the ozone layer, contamination of our water and air — even of our food sources — are risks that weigh heavily on man's future. They demand real changes from all participants in the economic life

Our group possesses the qualities necessary to contribute to the accomplishment of those changes.







First, through the professionalism of group personnel which is grounded on broad experience and in training programs that are being continually upgraded. Motivation is supported by a Quality Charter that calls on each of the group's 43,000 men and women to contribute to the Lyonnaise "quality advantage".

Further competitive advantages are gained through the development of leading-edge technologies and equipment: expert systems for instantaneous decision analysis, selection and verification; clean-burning waste incinerators; plants using membranes for the chemical-free purifying of drinking water. In research, Lyonnaise is an active participant in the broadscale Euraka and Brite programs in Europe, and in Aquarenaissance and Biofocus in Japan.

A global strategy

Over the last seven or eight years the principal focus of Lyonnaise attention has been on North America, Japan and China in the Far East, Southeast Asia and the Pacific Basin, with Africa remaining central to cooperative projects. More recently, except for Spain where Lyonnaise has long been active, the group has concentrated on countries of the EEC - Britain, Belgium, Italy, West Germany — and, since last fall, on certain Eastern European countries. The group will shortly open an office in Berlin to closely follow emerging opportunities, particularly in East Cermany, Czechoslovakia and Hungary.

That European and international strategy, developed over the last ten years, is supported by a network of alliances and partnerships in Europe, North America and Asia. Results have fulfilled expectations: 30 per cent of revenues are now generated by foreign operations which also account for

40 per cent of consolidated net earnings. In reading your 1080 Annual Report you will be able to measure the hope — and the determination — with which we approach those of our activities serving the "community lifestyle," and in particular those concerned with communications. The dissemination of cable TV is progressing day by day, and the current year will find installation and services readily available to all

The TV broadcast channel Mô in which the group has a 25 % interest, is particularly popular with the younger age group. The first months of 1990 have continued to be very encouraging, and we expect to achieve financial equilibrium in 1991. I have wished today to emphasize something which has manifested itself with great clarity—I refer to the obligation of responding rapidly and massively to the imperative of safeguarding our environment. And that is the vocation of Lyonnaise des Eaux, & service group of European and international dimensions active in fields directly related to the environment, a group close to the

I wish to express appreciation, on your behalf, to the 43,000 men and women who bring their skills and their dedication to the group. As for Lyonnaise shareholders, let them rest assured that we are fully aware of our obligation to prove ourselves worthy of the confidence and Support they give us today, as they have over the last one hundred and ten years.

Chairman and CEO

To obtain a cop, of the 1980 Annual Report, please write to: Direction de la Communication - 52, rue de Lisbonne, 75008 Paris, France - Tél.: 33 [1] 40.75.70.00

# INTERNATIONAL COMPANIES AND FINANCE

VESE COMPANY RESULTS

# eavy machinery akers register Lau brothers agree to HK exchange Hong Kong to extend maturities of bills bstantial rises

Japanese heavy ery manufacturers ed sharp increases in in the year to March, of machinery, power and aerospace equip-

iishi Heavy Industries te industry leader and oplier to the country's agency, posted the ore-tax profit gain of up 61 per cent to (\$920m).

Sales rose by 22 per Y140.4bn, with net increasing 12 per cent on. Domestic sales of stems, which account er cent of total sales, per cent to Y629.4bn i exports fell 25 per

. profits of Ishikawaji-

# emicals advance

S leading chemical es posted growth in this and sales in the March, as demand for ic fibre increased and sales of coke and m materials rose. gest integrated proin pre-tax profits to 18234m) and sales of up 8.3 per cent on ding 12-month period. : comprehensive iurer, Mitsui Toatsu

although operating profits were down due to higher mate-rial costs and sluggish sales of some products. Mitsui Toatsu suffered a spe-

ma-Harima Heavy Industries (IHI) climbed 18.7 per cent to Y15.3bn and Kawasaki Heavy

Industries (KHI) advanced 24.6

In the current year MHI, which is expanding its environ-

mental equipment company, sees its annual Y1 per share dividend rise continuing. It

estimates a pre-tax income

gain of 6.8 per cent to Y150bn, and sales of Y2,250bn. KHI fore-

sees sales up 8.2 per cent to Y880bn with pre-tax profit of Y20bn, up 16.4 per cent.

Both companies recorded

per cent to Y17.1bn.

cial loss of Y14.3bn following the withdrawal of the group from a petrochemical complex project in Iran last year.

In the year to March 1991, the company expects its pretax profits to drop for the first time in five years to Y31bn, down 7.5 per cent It estimates sales will rise 2.8 per cent to

V425bn. S. saw its pre-tax prof-?? record Y33.5bn, up nt. Its sales increased cent to Y413.3bn Witsubishi Kasel foresees its sales rising 1.1 per cent to Y740bn and pre-tax profits of Y39bn, up 8.9 per cent.

speciality chemicals, posted a

pre-tax profit gain of 8.5 per cent to Y35bn. Its net income

was Y19.2bn, and sales rose to Y297.5bn, up Y2.5 per cent. Gains on securities the com-pany sold helped boost its yearly income.

Both companies plan large investments in new plants for the current year. Mitsui, which

# rochemicals ahead

na Gannon

petrochemical · weathered the probtring imported raw reported modest prethe year to March re sales in all divi-

ishi Petrochemical, t reported a 2.1 per Cimi. Its sales were ason, a gain of 11.8 i the irregular three-ii to March 1989.

raised its per-share dividend in the year to March by Y0.5 to Y7.5, foresees pre-tax profits : Attrapolation of the on sales of Y305bn, up 2.5 per cent. Mitsubishi estimates sales of Y400bn, up 3.8 per \*\*trochemical Indus-cent, with pre-tax profits of Y54.5bn, up 0.7 per cent.

co Central resells stock its per cent of its rought back from struction group, which raised its stake by 1 per cent to 4.5 per cent to become Banco Censhitor Cartera Central's main shareholder, and Prudential Securities of the US

per cent.

Ϋ́Ε & Lvie PLC \$50,000,000 Rate Notes 1996 ratoria you that for inha lat lime, 1990 renier, 1990 the carri an interest . . In per cent per 472.23 per U.S. and parable on

eligiet millionden Agent Bank

Reuter reports. the French con-

> U.S. \$50,000,000 IBM Credit Corporation Floating Rate Yen Linked Notes due 1995

which bought 4 per cent. Pru-dential Securities will retain 3

In accordance with the provisions of the Notes, notice is hereby given, that for the eix months interest Penod from June 4, 1980 to December 4, 1990 the notes will carry an interest rate of 8%% per annum. The amount peyable on December 4, 1990 against Coupon No. 10 will be U.S. \$438.44 per U.S. \$10,000 principal amount.

June 4, 1990 CHAR



ank of Communications

(Tapei, Tainen, Republic of China) > 0.000,000 Floating Rate Notes due 1993

i.e. with the provisions of the above Notes, notice is so that for the six months from 31 May 1990 to 30 to 1990, the Notes will carry an interest of \$1/4s per

. . . . p. ethle on each U.S.\$10,000 and U.S.\$250,000 the colorest payment date, 30 November curen No. 15 will be U.S.\$444.79 and and the properties in



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demand

By Angus Foster

HONG KONG'S controversial Lau brothers have backed down from a confrontation with the colony's stock exchange and agreed to its demands regarding a proposed

property transaction.

The exchange had earlier warned that China Entertainsales gains — IHI of 2.8 per cent to Y632.8bn and KHI of 5.9 per cent to Y632.8bn — despite plant sales at IHI dropping 15 per cent and KHI suffering a 19.4 per cent fall in its shipping distriction. ment and Paul Y. International, two companies controlled by the Laus, could face delisting if a connected transaction between the two was not approved by independent shareholders, as laid down in the exchange's listings rules.

The brothers, Mr Joseph Lau and Mr Thomas Lau, at first disagreed with the ruling and claimed the property deal was not a connected transaction.

But yesterday they said after "further discussion" with ment and Paul Y. Interna-

But yesterday they said after "further discussion" with the exchange, the deal would be put to the vote for both companies' shareholders.

The Laus also agreed to the exchange's ruling that shares held by China Eutertainment in Paul Y should not be voted at the meeting and an indepenat the meeting and an indepen-dent financial adviser would be appointed to decide if shares in China Entertainment held by other Lau family companies can be voted.

THE Hong Kong Government is to extend maturities of bills issued under its Exchange Fund bills programme from 91 days to up to 12 months.

The decision, which came earlier than expected, was seen by bankers as a way to bolster the colony's capital markets and prepare the way for the Government to issue mediumterm debt at a later stage.

The Bxchange Fund bills programme, which began in March and is soon to complete its first 13-week cycle, is designed as a tool to influence designed as a tool to influence money supply rather than to raise cash. Hong Kong has run a budget surplus since the mid-1980s and, before the bills, had not issued any government debt since 1984.

But with the economy slow-ing and planned infrastructure projects set to cost about HK\$127hn (US\$16.3hn), at least some of which is likely to come from boxrowing, extending the maturities under the pro-gramme should establish a benchmark and a mechanism for issuing longer term govern-

ment debt. Mr Patrick Thomas, managand Fatrick Inomas, managing director of Manufacturers. Hanover and chairman of the Hong Kong Capital Markets. Association, welcomed the decision which, he said, would lead to more activity in the

market while extending the government benchmark fur-ther along the yield curve. Mr Joseph Yam, Deputy Sec-

retary for Monetary Affairs, said that if the Government decided there was a need for medium-term bills, they would be issued by the general reve-nue account rather than the Exchange Fund, which as supplier of interbank liquidity is responsible for managing the Government's reserves and influencing interest rates. Mr Yam said the first cycle

of hills would have raised close to HK\$4bn by the time the thirteenth issue was put out to tender next week. He said the yield range on successful ten-ders had fallen from close to 100 basis points on the first issue to seven basis points on the most recent, suggesting dealers were now using the

Bankers in Hong Kong said the programme had been a suc-cess overall, although the thin secondary trading and an ini-tial lack of interest from corpo-rate investors were disappointing. Because the bills are the only Hong Kong dollar instru-ment not subject to a 16.5 per cent profits tax, some capital washing marketing modelling for hanks market specialists fear banks are locking the bills away until maturity, thus damping down the secondary market.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and does not constitute an invitation to any person to subscribe for or purchase securities.

This notice is presented on the basis that the acquisitions by PetroGen Petroleum, Inc. ("the Company") of Sunrise Energy Corp., TGV. Inc. and all the assets of XGM, Inc. ("the Acquisitons") have become unally unconditional, that all resolutions to be proposed at the Special Meeting of the Company convened to 8th June. 1990 have been passed, that the 55,831,574 Shares of Common Stock to be issued have been to 8th June. 1990 have been passed, that the 55,831,574 Shares of Common Stock to be issued have been to 8th June. 1990 have been passed. provisionally alloted and that the change of name of the Company from PetroGen Petroleum Inc. to XCL Sunrise, Inc. has been effected.

Application has been made to the Council of The Stock Exchange for all issued and to be issued Shares of Common Stock of the Company (under its new name, XCL Sunrise, Inc.) to be admitted to the Official List. Subject to the passing of the necessary resolutions at the Special Meeting of the Company convened for 8th June, 1990 and to the issue of the necessary merger certificates by the relevant state authorities in the USA, dealings in the Shares of Common Stock, issued and to be issued, of the Company are expected to

None of the Shares of Common Stock of the Company issued or to be issued has been or is being registered under federal, state or provincial securities laws of the USA or Canada. Such Shares of Common Stock may not be offered or sold in North America or to North American Persons unless the Shares of on Stock are registered under such securities laws, or an exemption from such registration is

# XCL SUNRISE, INC.

INTRODUCTION TO THE OFFICIAL LIST

issued and to be

The Shares of Common Stock to be Issued in connection with the Acquisitions and the issue referred to above will, when fully paid, rank pari passu in all respects with the existing Shares of Common Stock.

XCL Sunrise will be engaged, in the USA, in gas marketing, gas gathering and related operations, as well as In oil and gas development and production

Listing particulars relating to XCL Sunrise, Inc. are available in the statistical service of Extel Financial Limited. Copies of the fisting particulars may be obtained from the Company Announcements Office of The Stock Exchange up to and including 6th June, 1990 and during normal business hours on any weekday (Saturdays excepted) up to and including 18th June, 1990 from:

Laing & Cruickshank Broadwalk House 5 Appoid Street London EC2A 2DA

PetroGen Petroleum, Inc. 19 Sunset Drive Englewood Colorado 80110, U.S.A.

Henderson Crosthwaite tional Brokers Limited 32 St Mary at Hill London EC3P 3AJ

### NOTICES OF extraordinary general MEETINGS



### AVIS DE CONVOCATION aux assemblees generales EXTRAORDINAIRES

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4. To amend article 26 of the "Statute" reinting to the rules governing general meetings (").

5. Delegation of powers for the completion of formalities.

NOTICE IS PERCEY GIVEN that an Extraordinary General Meeting of Euroburnal RL-C, will be held at in Maison de in Chimie, 28 rue Saint Dominique, 75007 Paris, on 27 June 1990 at 4.30 pm (Paris time), or as soon thereafter as the Annual General Meetings of Euroburnel S.A. and Euroburnel RL-C. and if relevant, the adjourned Euroburnel S.A. to be beld at the same place and on the same date shall have ended or been adjourned, for the purpose of croatfacting and, it thought fit, passing the following resolutions which will be proposed as to the Resolutions numbered 3 as a special

1. That, subject to the passing by Surotomnel S.A. shareholders at the Extraordinary General Meeting of Surotomnel S.A. to be held at Tour Franklin, 1/00 Terranse Boleidien, 92081 Paris La Défense on 20 June 1980, or at any adjournment thereof, of the first of the resolutions to be proposed at such meeting it translation of which appears on pages 31 and 32 of the English language version of the circular to shareholders dated 4 June 1980), the authorised share capital of the Company be and is hereby increased from \$206,000.000 to \$400.000,000 by the creation of 480,000,000 ordinary shares of 400 cach, such shares to form one close with the ordinary shares of the

Company now in existence.

That, subject to the passing by Eurotuanei S.A. shareholders at the Extraordinary General Meeting of Surotuanei S.A. to be held at Your Franklin, 100 Terrasse Solidies, \$2061 Furis La Défense, on 20 June 1990, or at any adjournment thereof, of the first of the resolutions to be proposed at such meeting in translation of which appears on pages 31 and 32 of the English impluage version of the circular to shareholders dated 4 June 1990) and subject to the passing of the Resolution numbered 1 above and in addition and without prejudice to any other authority conferred upon the Directors to allot relevant securities of the Company, the Directors be and are hereby sutherised, generally and unconditionally, pursuant to Section 80 of the Companies Act 1985, to allot to such pressors, at such times and on such terms as they think proper, relevant securities (within the securing of that section and so that references to the allotment of relevant securities shall be construed in accordance with the said section up to an aggregate nominal amount of 1519,000,000, provided that this sutherity shall employ the conclusion of the next Annual General Recting of the Company or on 27 September 1981, whichever shall be the earlier, save that the Company may before such empty make an ofter or agreement which would or might require relevant securities to be allotted after such empty and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

That, subject to the passing by Eurotunnel S.A. shareholders at the Eurosofdmay General Meeting of Eurotunnel S.A. to be held at Your Franklin, 100 Terrasse Boleidien, 92061 Paris La Defense, on 20 June 1990, or at any adjournment thereof, of the first of the resolutions to be proposed at such meeting (a translation of which appears on pages 51 and 32 of the English language version of the circular to shareholders dated 4 June 1990) and subject to the passing of the Resolutions numbered 1 and 2 above and in addition and without prejudice to any other anthority conferred upon the Directors, the Directors be and are berely empowered pursuant to Section 95(1) of the Companies Act 1985 to allot equity securities (within the menning of Section 94 of that Act and so that references to the allotment of equity securities shall be construed in secondance with the said section) in connection with a rights issue parsonnt to the authority conferred upon them by the Resolution assumbered 2 above, as if Section 85(1) of that Act did not apply to such allotment, provided that:

(a) this anthority shall expire at the conclusion of the next Anomal General Meeting of the Company or on 27 September 1991, whichever shall be the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired and.

(b) for the purposes of this resolution "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors in: (i) bolders of shares on the register of members on a fixed record date; and

iders of abare warrants to bearer who provide evidence outlainesory to the Directors of their holds excribed by the terms of the offer:

in proportion (as nearly as may be) to the respective numbers of such shares held by them or included in their share warrants to bearer, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to (1) fractional entitlements and securities not taken up by shareholders or holders of share warrants to bearer under the offer, (2) the granting to shareholders and holders of share warrants to bearer under the offer, (2) the granting to shareholders and holders of share warrants to bearer under the offer, (2) the granting to shareholders and holders of share warrants to bearer of the right to subscribe for shares in excess of their respective proportionate entitlements for than are available for subscribe for shares and/or the allotment of shares to such other persons and on such terms as the Directors may consider appropriate, (4) the extent that subscribe to such other persons and on such terms as the Directors may consider appropriate, (4) the suspension of the entitlement of holders of abare warrant to bearer in tespect of the shares concerned and of the entitlement of holders of abare warrant to bearer (5) any legal or practical problems on the company in respect of shares included in any share warrant to bearer, (5) any legal or practical problems ander the laws of, on the requirements of any recognised regulatory body or any stock exchange in, any territory (including, without limitation, any such problems or requirements may take into second, at the discretion of the Directors, different currency exchange rates to relation to the allotment of privileges in connection with the offer of securities on such the discretion of the Directors, different currency exchange rates to relation to the allotment of privileges in connection with the offer of securities on such the Directors determine, or (8) any other matters.

If you intend to attend the meetings in pursues or in web; by poot or by yeway, you must immobilied your Units at least 5 days before the meetings, by notifying the bank or other institution through which your Units are held of your intention to attend and/or vote. If you had certificates is respect of your bearer Units, the certificates themselves must be deposited for immobilisation with one of the banks listed below. You should also obtain from the relovant bank a certificate evidencing such immobilisation which, if you are attending the meetings in person or by provy, you or your representative abould bring to the meetings.

If you intend to attend the meetings in person, you should request an Admission Card through the bank or other institution through which your links are held. If requested in sufficient time you should receive your Admission Card before the meetings, in which case please bring it with you. If you do not, you may still attend the meetings provided that your Units have been immobilised and you bring with your suitable evidence of your identity.

If you do not intend to attend the meetings in person, you say correlar your voting rights by using the combined pray and postal voting form.

Copies of proxy and postal voting forms and other documents sent to registered unit holders in connection with the meetings may be obtained from:

English language - National Westminster Bunk P.C., Registrar's Department, PO Box 343, Cannon Boune, Redelific Mend Lanc. Bristol B599 73Q. England (by post) - The Nomera Securities Company Ltd, 9-1, 1 Chuo Nihonbashi, Chuo-ku. Tokyo, Japan - Enskilds Fondekommission, Northadeguian 15, PO Box 16057. 5 - 10323 Stockholm, Swedon - Al Bank Al Sendi Al Franci, 16 Ont Al Ma'concain Street 147, Sector 1427. Al Sharafeya - Dist 3, PO Box 1 - D Jeddah, Saudi Arabia (available for collection), - Formulatives on Branquis (par courter) Banque Indonsez, 96 boulevard Rayse at a R.F.C 120 arcune des Champs Elysées 75008 Paris, France, - (à voire disposition) Busque Internationale. à Luxembourg, 2 boulevard Royal 2953, Luxembourg - General Bank, Montagne du Pare 3, 1000 Branelles, Belgique. A member exhibit to attend our at the Meetings may made at the Meetings may upon a steed our any made at the Meetings of Survivance S.A. a pray quest be the a

Messicurs les Actionnaires sont informés qu'ils sont couvoqués en Assemblée Générale Entraordinnire pour 20 juin 1980, à 18 haures 30, su siège social, et pour le cas où cette Assemblée ne pourrair se tenir faute de quorm pour le 27 juin 1990, à l'issue de l'Assemblée Générale Ordinaire Annuelle d'Eurotumel RL.C. à partir de 16 beur à la Maison de la Chimie, 28 rue Saint Dominique, 75007 Paris, à l'edit, de délibèrer et statuer sur l'ordre du jo

4. Modifications de l'article 36 des Statuts relatif aux règles générales régissant les assemblées [\*]; fi. Pouvoirs pour ses formalités.

écisione sont proposèns pour mettre les Statuts en harmonie avec ceux de la Société Eurotunnel RL,C, en mit les nouvelles possibilités issues des modifications récentes apportées sux textes régissant les sociétés

Mossicurs les Actionnaires sont informés qu'ils aont convoqués en Assemblée Générale Extraordinaire de la société Eurotumnel P.L.C., qui doit se tenir à la Maison de la Chimie. 28 rue Saint Dominique. 75007 Paris, le 27 juin 1990 à 16 houres 30 (houre insupaise), ou à l'issue des Assemblées Générales Ordinaires Annucles d'Eurotunnel S.A. et d'Eurotumnel EL.C., et sprés l'ajournement, s'il y a lieu, de l'Assemblées Générale Entraordinaire d'Eurotunnel, S.A. et doit se tenir au même endroit et à la même date, à l'effet de déliberer, et si jugé approprié, d'adopter les resolutions énuactèes et-descoust, qui secont proposées, en re qui concerne la résolutions let 2, comme résolutions ordinaires, et, en ce qui concerne la résolutions de résolutions ordinaires, et, en ce qui concerne la résolution 3, comme résolution spéciales

5. Sous réserve de l'adoption par les actionnaires d'Eurotunnel S.A. iors de l'Assemblée Oénérale Extraordinaire d'Eurotunnel S.A., qui doit se tenir le 20 juin 1990 à la Tour Pranklin, 100 Terrasse Boieldieu. 92081 Paris Lé Détense, on à la date de son report, de la première des résolutions proposées à cette Assemblée, l'Assemblée Générale Extraordinaire décide, d'augmenter le capital social de la 508.000,000 à £400,000 par la crétaine Extraordinaire décide, d'augmenter le capital social de la 508.000,000 à £400,000,000 par la crétaine de 490.000,000 actions ordinaires d'un nominal de 40 pence, oss actions étant identiques aux actions de 190.000.000 actions de 190.000 actions préparent placetaire.

Sous réserve de l'adoption par les actionnaires d'Eurotunnet S.A. tors de l'Assemblée Générale Extraordinaire d'Eurotunnet S.A., qui doit se tenir le 20 jain 1990 à la Tour Franklin, 100 Terrusse Boleidieu, 92081 Paris La Défense, ou à la date de sou report, de la première des résolutions proposées à cette Assemblée, et sous réserve de l'adoption de la résolution i et décessus, et sous réserve de toute autre activation confère aux administrateurs d'autribuer des "bitres" (résolution i et décessus, et sous réserve de toute autre activation enfère aux administrateurs d'autribuer des "bitres" (résolution i et décessus, et sous réserve de toute autre active alle ou rompaniers autorise le Conseil Andministration, par les présents et saus réserve, conformément à l'attive 80 du Tompaniers Act de 1985, à attribuer à telle ou telle personne, aux dates et aux termes qu'il jugers opportun, des "titres" (aux sens de l'article précité et afin que des mentions des stributions des "titres" soient égament conformes audit article) jusqu'à concentrance d'un montant total nominal de £192,000,000 étant entends que cette autorisation expirera soil à l'asses de la prochaine Auxenblée Oédérale Ordinaire Annuelle de la Société, soit le 27 septembre 1991, seion l'évésement qui interviendra en premier lieu, à moiss que la Société ne fasse une proposition ou ne passe un accord avant l'explaino de l'autorisation mentionnée ci-dessus, qui accessiterait ou pourrait nécessiter l'autribution des "titres" explée explée.

Sous réserve de l'adoption par les actionnaires d'Eurotunnel S.A. tors de l'Assemblée Cénérale Eurocalimaire d'Eurotannel S.A., qui doit se tenir le 20 juin 1990 à la Tour Franklin, 100 Terrasse Bojeidieu, 92081 Paris La Défense, ou à la date de son report, de la première des résolutions proposées à cette Assemblée, et sous réserve de adoption des résolutions - le 2 ci-dessus, et sous réserve de toute autre autorisation conférée aux Administrateurs, l'Assemblée Cénérale Extraordinaire autorise le Conseil d'Administration, par les présentes, consormément à l'article 96(1) du "Companies Act" de 1965, attribuer des l'ittres (equity securities) doupant droit à l'attribution d'actions ordinaires (au sens de l'article 94 de cette loi et afin que des mentions aux attributions de "tâtres" equipment de conformées audit article dans le codre d'ance augmentation de capital en vertu de l'antorisation toi étant attribuée par la résolution 2 ci-dessus, comme si l'article 99(1) "Companies Act" de 1985 ne s'appliquait pas à l'attribution des "tâtres" à condition que:

(a) cette autorisation expire soit à l'issue de la prochaine Assemblée Générale Ordinaire Annuelle de la Société, soit le 27 septembre 1991, eston l'événement qui intérviendre en premier lieu, à moins que la Société ne lasse une proposition ou ne passe un accord avant l'expiration de l'autorisation mentionnée ci-dessus, qui nécessiterais ou pourreit nécessiterais parès cette expiration. La uquel est le Conneil d'Administration peut attribuer des "titres" conformément à cette proposition ou cet accord comme si l'autorisation lui étant extende de la conneil de la cette proposition ou cet accord comme si l'autorisation lui étant extende de la cette proposition ou cet accord comme si l'autorisation lui

(b) aux fins de la présente résolution, le terme "rights issue" ("augmentation de capital avec maintien du droit préférentiel de souscription") signifie une souscription d'actions pendant une période devant être déterminée par le Cossell d'Administration. su profit des:

nebres qui seront inscrita en compte nominatif à une date de référence: et

(ii) actionnaires au porteur qui présenterent la justification nécessaire au Conseil d'Administration de leur qualité d'actionnaire conformément aux modalités de l'augmentation de capital.

qualité d'ectionsaire conformèment aux modalités de l'augmentation de capital.

proportiquaellement (dans la mesure du possible) au nombre d'actions détenues sous la forme nominative
ou au porteur, insis sous réserve des exceptions et des dispositions que le Consell d'Administration
pourrait juge accessaires ou opportunes concernant, (1) les rampius, et les actions non souscrites par les
actionnaires abanianțile ou par les actionnaires au porteur, dans le cudre de l'augmentation de capital;
(2) toute dispositiom qui confère aux actionnaires au porteur les extionnaires, au porteur le droit de
souscrire des actions à titre réductible, et réductible demande actionnaires, au porteur le droit de
souscrire des actions à titre réductible, et réductible demande actionail le nombre d'actions à tour réductible demande excetail le nombre d'actions disponibles
au titre de l'ampientation de capital et; [3] toute disposition, au cas où il reste des droits de souscription
son exprés, qui confère un droit de souscrire des actions et/ou d'attribution d'actions à toute autre
personne et dans les termes que les Administrateurs pouront juger appropriés; et (4) la suspension du
droit des setionnaires de la Société de demander la conversion des actions du nominairi su porteur ou du
porteur au nominairi, et [5] toute question d'ordre juridique on pratique, conformément sur règlements
ou aux exigences d'outorités compétentes, ou de bourses dans tout pays, ly compris, et suns limitation,
tout problème ou exigence qui pouvrait résulter de l'émission des actions de la Société et sous forme d'unirès
loumes définies aux "Articles of Association" de la Société et et l'oi la libération de sous forme d'unirès
loumes définies aux "Articles of Association" de la Société et et la faction de l'augmentation de
capital dout les modalités peuvent tenir compte de différents tux de change, à la discretion du Conseil en
ce qui concerne l'attribution de ces titres), et [7] tout disposition qui confère aux actionnaires nominaité
finaires, et [8] sous rés

Si veus contactor analytor on germanne aux Assemblées, voter par correspondance on voté laire reprisenter per un mandataire, vous devrez immebiliser vos Unités au moins 5 jours avant les Assemblées, en prévenant la maque on l'établisement augres duquel vos Unités sont comptabilisées de votre intention d'assister et/ou voter. Si es titres détenus sont sons la forme matérielle, ils devront être déposés pour immobilisation aupres de l'une des amques etites et-désoous. Vous devrex également vous procurer augres de cette banque une justification de l'immobilisation de vos Unités et, el vous sonhaltez assister en personne ou vous taire représenter par un analytiste, vous ou votre mandataire devra apporter la justification aux Assemblées.

eus nucleitez tenister aux Appenbiées en porsonne, vous devrez demander à la banque ou à l'établissement 25 daquel vos Unités sont compubilisées de vous procurer une Carte d'Admission, que vous devrez apporter aux mbiées. 31 vous ne la recevez pas, vous pourrez loujours y assister dans la mésure ou vos Unités auront été bilisées et sà vous vous présenterez avec une pièce d'identife.

Al veux no nominitor pas assister en personne aux Assemblées, vous pouvez exercer vos droits de vote en milisant la formule de pouvoir et de vote par correspondance. Des copies des formules de pouvoir et de vote par corespondance ainsi que des autres documents se rapportant aux assemblées et envoyés aux actionmères titulaires d'Unités nominatives, peuvent être obtenues auprès de:

Jane Fuller on the implications of the £172.5m Saudi Arabian takeover of Hartwell

ory that the motor manufacturers would protect the groups that sell their cars from hostile takeover. Friday's capitulation of Har-

twell, the Oxford-based motor distributor, to the £172.5m unwelcome bid from the Saudi Arabian Jameel organisation has punctured that theory; and by next summer, when the Monopolles and Mergers Commission reports on the fran-chised dealership system, it may be consigned to long

When Hartwell, headed by Mr Peter Huggins, reported its interims last November, it looked vulnerable. Pre-tax profit was flat, interest payments had shot up, the £30m acquisition of the Charles Clark and Ford & Slater businesses was looking expensive.

The prospective multiple of 14 was largely accounted for by bid speculation based on Jameel's then 18 per cent stake. But it was said that Hartwell had a poison pill in the shape of the motor manufacturers: just because the businesses were sold to another group, it did not mean the right to sell their cars would go

And yet on Friday, Hartwell was using an argument about pressure from the manufactur-ers to justify its decision to arcept the 155p per share offer (14p above the market price) after all. The Jameel bid vehicle Oakhill added a couple of dividend payments sweeten acceptance of an offer which had lapsed in March after it gained 43 per cent of

the equity.

The problem for Hartwell was that Jameel was bound to gain control by 1992 anyway, through converting preference shares. As a result, the luxury car makers who had already

objected to the idea of a Jameel

takeover kept on objecting.
The volume manufacturers, on the other hand, far from vetoing the takeover, seemed more concerned about the ill effects of uncertain control of the business than about who ultimately owned it.
Ford, the market leader, is

regarded as the strictest when it comes to rules governing its franchise holders. For example, it puts a limit of eight on the total number one group can have and it will not allow any of the dealerships to be within 30 miles of each other. Like the other manufacturers, it stresses that the franchises will not be automatically transferred to new owners of the

In the case of the Hartwell takeover, Ford has flexed its muscles to a very limited extent. It might ask for the sale of one or two franchises to sort out anomalies hanging over from Hartwell history. It could in any case have done that had Hartwell remained independent because as soon as a hid is announced, the dealership agreement goes on three months notice

Ford made a point of saying that it regarded Jameel as "a good prospect." It was impressed by the organisation's Toyota distribution network in Saudi Arabia and it also approved of the way Jameel was "bending over backwards to comply with the conditions of the change of

In other words, it could have been awkward but it chose not to be: still a position of some

Other volume car makers took a less forbidding stance. Rover, for which Hartwell has a dozen franchises, said it had takeovers or changes of owner-



Rupert Carington (left) chairman of Oakhill — the Jameel bid vehicle — and Peter Huggins, the Hartwell chief

Its franchise policy was simply that it should have good geographic coverage of the market and that the dealers were capable of projecting the right image in the "new Rover

Vauxhall (two Hartwell fran-chises) expressed an even simpler view. "Our primary interest has been in ensuring that customers have continuity of service. There has been no sugfranchises away."

This leaves the most hostile

noises coming from the huxury car makers. Mercedes-Benz, Jaguar and BMW, which account for a total of eight out of Hartwell's more than 50 car and commercial vehicle fran-

Both Mercedes and Jaguar confirmed their doubts on Friday, questioning whether Jameel had sufficient experi-Mercedes also turned up its nose at "an unwelcome take-over of a British group."



But as Mr Rupert Carington, chairman of Oakhill, has pointed out, none of the manu-facturers are likely to say yes or no to the transfer of franchises without hearing the new management's case.

One analyst said that a man-ufacturer withdrawing fran-chises would be "cutting off its nose to spite its face." because - in a highly competitive mar-ket - sales of its cars would be damaged by removing them from established shop win-

So has the episode served to show that the idea that manufacturers can veto takeovers is so much hinster? It has certainly shown that

such perceived threats cannot outweigh an attractive offer. The price represented 17 times historic earnings in a market which is still less than halfway through a had year and which is not expected to bounce back until after a significant fall in interest rates.

It has also shown a relatively open mind among the

holds their franchises. After all, some of the arguments, for example about customer care. put forward by Oakhill will have been music to their ears. It must, however, be remembered that because Jameel did not have other UK franchises. and because of its compliance, it has yet to threaten the manufacturers' franchising rules. (If it were to go for the Ford-dependent Trimoco, in which is will shortly move up to a 27 per cent stake through conver-sions, that would be a different

Most analysts, however, d not see Hartwell's fall as starting an "open season" for the takeover of motor distributors, even though the frag-

tors, even though the trag-mented sector is said to be cry-ing out for consolidation.

What has changed is the fac-tors holding back the flood.
Conventional business reasons (the poor outlook for earnings, high levels of debt) will be cited for putting off predators, instead of a poison-pill-like stance from the manufacture. stance from the manufacturers. And Hartwell has laid down a full-price marker, in spite of the low point in the

usiness cycle. Over and above all this, with the ominous report deadline of August 1991, is the challenge to the franchise system and to car prices posed by the MMC investigation. That report could in turn have implications for EC policy towards the operation of new-car markets after 1995, when the current permission for EC-wide exclusive car franchise systems expires. While the Jameel victory

may have loosened some bricks in the wall protecting the conventional ways of the dealership sector, the MMC may open the way for several cars to be driven through

# Weavers report says DTI is 'lax' on insurance market supervision

By Patrick Cockburn

SUPERVISION OF the London insurance market by the Department of Trade and Industry is lax and complacent according to a special report on the crisis at HS Weavers

(Underwriting) Agencies.

Mr Chris Morrison, the editor of the Report, a specialised newsletter on reinsurance, in a report\* on Weavers, formerly the largest writer of US liability insurance in the London. market, says that the DTI is so short of specialised insurance staff that last year it had to ask insurance companies to second staff to the department to help regulate their own

industry. Weavers, a subsidiary of London United Investments, stopped doing new business in March when other LUI subsid-iaries were found to have insufficient reserves to meet

future claims.

The DTI itself has rejected suggestions that it has failed to deal with the situation at LUI either before or after the com-pany stopped doing business in March According to Mr John Red-

wood, Minister of State at the Wood, Minister of State at the DTL responding to Labour party criticism of the way his ministry has handled the LUI affair, the actual state of affairs at the company "was first uncovered by actuarial investigations instigated by the department." He says the DTI then immediately took steps to

stop LUI doing new business.
Mr Morrison, says that last year the DTI asked for six "secondees" from the UK insurance industry: "It was envisaged that each "secondees" armatings the dee" would scrutinise the annual returns of a number of companies, advise the trade minister on whether he should

meet senior members of selected companies to discuss their business plans."
The London insurance mar-

ket for major commercial risks has always been heavily international and averse to supervision. Lloyd's of London, a key part of the market, is largely self regulating. As a result, problems originating in the UK often end up in the lap of regulatory authorities

Turning to Weavers, the report says that there is little chance it will survive because nobody is sure how much money in fresh reserves to meet old claims would be needed to to keep it going.

Mr Morrison is highly criti-cal of the past management of LUI and Weavers, concluding: "Too much commission stripped from inadequately rated premiums over too many years has taken its inevitable toll at Weavers. Much of this commission ended up in the accounts of LUI, which among its many concerns had a UK share price to keep high."

LUI's share price peaked at

over 300p a couple of years ago before dropping to 30p in March when the shares were suspended.
The ultimate downfall of LUI

came in March when, at the request of the DTI, consulting actuaries Tillinghast produce a preliminary report on six LUI subsidiaries. These were no longer taking new business but had done underwritten extensive business taken by Weavers in the late seventies and

early eighties.

A final report from Tillinghast on the shortage of reserves needed to meet future claims is still expected. Accord-

use his statutory powers and ing to Mr Peter Wilson in merly chief executive of ill the under reserving is of the order of £75m to £100m;

In an examination of the accounts of the six subsidiaries Mr Morrison concludes the over the last few years the entire Weavers edifice has come to rest on an increasingly

fragile financial hase," Mr Ronnie Driver and Mr Peter Wilson, the figures associated with the rise and fall of LUI and its chief subsidiaries weavers and Walhrook haur ance Company, were removed from their executive positions last week.

st week. Efforts to contain the impact of the crisis at LUI have been led by the major brokers, not by the Sedgwick Scoup and a Marsh & McLennau, The brokers Marsh & McLennau, The brokers' prime interest has been a to ensure that current policy holders whose insurance protection was written through to 1855 27 Weavers get their claims paid.

The incentive for the brokers at the process of the process of the process. to arrange for the broken to arrange for the reserves of LUTs subsidiaries to be topped up is that if they are not, disgruntled clients are likely to

sue their brokers for doing business with Weavers. • The court appointed administrators of London United Investments confirm that some of LUI's subsidiarie will continue to be unable in

pay claims. . H.S. Weavers (Underwriting) Agencies will haudle the run off of old business of these insurance subsidiariss and at paying claims on hehalf of Walbrook Insurance Com. pany and other non-group con!

panies.
\*The Inside Story of the Weavers Insurance, Pool by Chris Morrison, Evandale Pub. iishing, 28pp, £265.

# Panel decision expected early this week on Rank offer

THE TAKEOVER Panel is expected to decide early this week whether or not the Rank Organisation's interpretation of its offer for Mecca Leisure's preference shares falls within the terms of the City code on

is conditional on the Takeover Panel ruling that Mecca's preerence shares are not regarded as equity share capital. This is because the Rank offer of 75g per share for the preference shares is higher than the

If the Panel rules against Rank, then the offer for the preference shares would be worth 56.1p rather than 75p. Rank's pre-condition is, however, seen by City analysts as little more than a formality

meal indicates its strong desire to acquire the whole Rank sees the acquisition of

key leisure markets as strengthening its ambition of being the largest operator in those areas. Meanwhile Mr Michael

Guthrie, Mecca's chairman. and other senior executives, were meeting over the week end to determine their strategy in defence of the Rank bid. Mecca is expected to concentrate its delence on persuading the Office of Pair Trading to

### FT Share Service

The following securities were added to the Share Information Service in last Saturday's

Northern Investors Company (Section: Trusts, Finance, Land). Owners Abroad 3.75p (Net) Conv. Cum. Red. Pref. (Lei-Enrel.

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# BusinessWeek

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in accordance with the provisions of the Notes, notice is laterly given that, for the three month period, 31st May, 1990 to 31st Amount 1990, the Notes will bear interest at the rate of 15% per course. Coupon No. 18 will therefore be payable on 31st Amount 1990 at 13,859.59 per coupon from Notes of £100,000 nominal lost £1,281 coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. Agent Bank

### since Rank's decision to go shead with a takeover rubber than buy Mecca assets piecetakeovers and mergers, writes David Churchill. equivalent offer for Mecca's Rank's £506m offer for This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invinction to the public to subscribe for, or purchase, any shores or warrants.

FIDELITY JAPAN OTC AND REGIONAL MARKETS FUND LIMITED

Placing of 1,200,000 Units, each comprising five Ordinary Shares and one Warrant to subscribe for one Ordinary Share at a price of U.S.\$52.00 per Unit (including commissions) payable in full on application

Application has been made to the Council of The Stock Exchange for the Ordinary Shares and Warrant now proposed to be issued to be admitted to the Official List It is expected that such Ordinary Shares and Warrants will be admitted to the Official List, and that dealings will commence, on 28th June, 1990. Particulars of the Ordinary Shares and Warrants will be available in the Statistical Services of Extel Financial Limited from coday and copies of the Placing Memorandum which comprise Listing Particulars relating to Fldelity Japan OTC and Regional Markets Fund Limited may be obtained during normal business hours from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A IDD on 5th and oth June, 1990 and until 18th June, 1990 (Saturdays and

FIDELITY JAPAN OTC AND REGIONAL MARKETS FUND LIMITED Cayman International Trust Building P.O. Box 309, Grand Cayman

Baring Brothers & Co., Limited

4th June, 1990

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16%

**Baring Securities Limited** Lloyds Chambers

ndon El SDE

This advertigation is request in complaince with the requirements of the Council of The Stock Exchange and does not entitlation to any person to subscribe for or purchase shares. Application has been made in the Council of The Stock Exchange for 427.318,258 ordinary shares of 25p each and 1,750,000 3.5%.

Cumulative Redeemable Preference Shares of £1 each in Commercial Union ple, issued pursuant to the Scheme of Arrangement Originate resecutative Preference Shares of £1 each in Commercial Union ple, is a Commercial Union Assurance Company pie, referred to below, to be admitted to commercial Linuar ple are especied to commune on Monday 4th June, 1990.



COMMERCIAL UNION pic (Incorporated in England and Wales, Registered No. 2468686)

Share Capital AUTHORISED \$148,256,000.00

Commercial Union ple St. Helen's 1 Undersbaft London EC3P 3DQ

G T Spran
Secretary

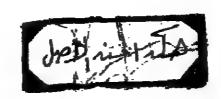
ISSUED AND PAID UP Ordinary shares of 25p each mulative Redeemable Prefere Shares of £1 each Liston: Particulars relating to Commercial Union pic have been circulated in the statistical services of Extel Financial Limited. Copies of the Lating Particulars dated 1st June 1990 may be obtained during normal business hours (excluding Saturdays), up to and architem (nth June 1990, from The Company Announcements Office, The Stock Exchange, 46-50 Finabury Square, London EC2A 111D and up to and recluding 18th June 1990 from. House Govett Corporate Finance Limited Security Pacific House 4 Broadgate London EC2M 7LE 4th June 1990

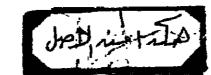
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and Mergers Commission. HOSE of powers and the Control of the Control of BLUE CIRCLE INDUSTRIES PLC ... (Registered in England No. 6653E)
MEETING OF MONDHOLDERS BY ORDER OF THE BOARD E.W.T. Dallan THE PAYING AGENTS

tus of at equility of votes the Chaluma of the Mauling shall have, both on a show of hunds and on a pull, a custing vitie in air and to which he may be excluded on a Beneficidor or on a helder of a voting statificate or on a proop.

The office of any proclams will develop depend on the pulse of which it is made. On \$1 May 1970 the Labor procession date bullets in





### **DIARY DATES**

# 15 Trade fairs and exhibitions: UK

CT Conetz-14
Cintenational Fire Protection
Exhibition - FIREX (01-207 une12-14 NEC, Birmingham

June14-23 Grosenor House Antiques Pair 0799 26699) London Jun 19-21

C Iser Show (071-404 4844) Royt Highland Show (031-333

### Overseas exhibitions

Jun 10-13 intenational Petroleum and Petochemical Equipment Exhibition - PETRO/EXPO Mexico City Jue 12-14

10: (081-940 3777) ntrnational Environmental Priection and Control Equip-not and Technology Exhibi-

CAN/CAM & Robotics Exhibi-

June 25-26

tion (0494 729406)

(081-868 4466)

International Biotechnology Trade Fair - AMSTERDAM BIOTECHNOLOGY (071-495 Amsterdam

Ingliston Showground, Edin-

Classic Car Show (044282 3388)

Midland Secretary Show

Careers and Higher Education

Fair - DIRECTIONS (081-940

NEC, Birmingham

Olympia

International Industrial Development Technology, Machinery and Equipment Exhibition
- FIM (071-486 1951) Kuala Lumpur

### 3isiness and management conferences

nirpational Business Comanications: Investment ists (071-637 4383) Regent Crest Hotel

b Textile Institute: Market portunities in a changing void (061-834 8457) oyal Garden Hotel, London ne 11-15 IALGO annual conference 31-388 2366)

ne 12 E: Dematerialisation - the plications for the securities tustry (June 11); The future the UK securities industry me 12) (071-637 4383)

Cafe Royal, London ne 12-13 nancial Times Conferences: e publishing industry in the (071-925 2323) lotel Inter-Continental. ET:NGS

> I Conferences: Evaluation e key to investing effectively --training (071-379 7400) Centre Point, London

s Economist: Technology: king your IT investment :k for you (071-976 6565)

2N.70

P TE

June 20 Mintel: Tomorrow's retailing: juggling for success (071-606

The Barbican, London Beverley Training Services: Winning the trade battle in Greater Europe (0482 868362) Willerby, near Hull

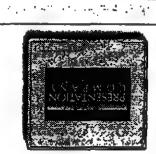
Financial Times Conferences: World gold conference (071-925

The Economist: Insurance: How an industry goes global (071-976 6565) Royal Garden Hotel, London

American Metal Market/Paine Webber's World Steel Dynam-ics: Steel survival strategies V - Harnessing steel's technological revolution (US 212 741 Plaza Hotel, New York

June 28 The Conference Company: The road to the German informa-tion technolgy market – How UK based companies can kick off their marketing campaigns in Germany (071-496 4533)

Anyone wishing to attend any of the above events is advised to ... telephone the organisers to ensure that there have been no changes to the details published



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### SYSTEMS CONNECTIONS GROUP PLC acorporated in England-Registered No. 1510406 under the Companies Act 1985

issue

70,000,000 Ordinary Shares of 21/2 pence each

SHARE CAPITAL

of shares Value

75,000 95,000,000 Ordinary Shares of 272p each 2,219,747,825 88,789,913 ding in the ordinary shares of Systems Conected to recommence on 7th June 1990.

ticulars relating to Systems Connections Group PLC are available in the ticulars relating to systems contractions group PLC are available in the el Third Market Service and copies of these particulars may be obtained ing usual business hours on any weekday (Saturdays excepted) up to fincluding 18th June 1990 from:

BREWIN DOLPHIN & CO. LIMITED mbors of The International Stock Exchange 5 Giltspur Street, London EC1A 9DE

June 1990

# FINANCIAL

COMPANY MEETINGS.
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City Square, Leads, 12.00
reings, Sandiard Spring Golf Chip, Wolverion, Habia, 12.00
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Fload, EG., 12.00

remonal Weetralister Bankt Var. Rabe Ca Nos. 2006 5389,11 New Zeeland Fitts. Rate Nts. 1986 \$413.95 Standard Chartered Und. Prim. Cap. (Ser. ) \$421.51

12.00 Martin Currie Pacific Trust, 29, Charlotte Square, Balthough, 12.30 Rathbone Bros., Lower Grosvanor Place SW, 1.00 Rockfort, Gaumont Room, 20, Fenchuri Street, 8C., 10.00

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FREDAY JUNE II
DOSTRANY MEETINGS
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Surrey, 12.00

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PARLIAMENTARY

Today

Lords:War Crimes Bill, second reading.

Commons: Debate on the Lords: Broadcasting BUL, second reading.

Commons:Opposition debate on subject to be announced. Lords: Debate on European political and monetary union.

European Parliament Elec-toral Reform Bill, third read-Associated British Ports (No. 2) Bill, third reading.
Rights of Way Bill, second reading.

Question to Government on action against flags of conve-nience ships infringement of North Atlantic Salmon Conser vation Organisation Convention on Salmon Fishing, Select committees: Environ-

ment. (Room 21, 10.30 a.m.) Defence: subject, implications for UK policy of recent events in Europe. Witnesses: Mr Denis Healey MP, and Lord Carring-

ton. (Room 15, 10.50 a.m.) Energy: subject, departmen-tal spending plans 1990-91. Witnesses: Mr G. H. Chipperfield, permanent under-secretary, and other Energy Department officials. (Room 8, 11 a.m.) Home Affairs: subject: Form and content of Home Office annual report. Witness: Sir

Clive Whitmore, Home Office permanent under-secretary. (Room 15, 4.15 p.m.)

n & Peacock, Heathrow Park Hotel, Bath load, Longtond, West Drayton, 11,30 END & INTEREST PAYABOTTS man investment Bank 91g % Ls. 8th.

Social Services: subject, public spending on social security. Witnesses: DSS officials. (Room 21, 4.15 p.m.)

Transport: subject, urban public transport, the light rail option. Witnesses: Frank Graham Consulting Engineers and Badgerline Buildings. (Room 17 415 nm) 17, 4.15 p.m.)

Treasury and Civil Service: subject, public expenditure. Witness: Department of National Savings. (Room 8, 4.30

Committees on private bills: Hythe, Kent, Marina Bill (Room 5, 10.30 a.m.) and Tees and Hartlepool Port Authority Bill (Room 6, 11 a.m.)

Thursday Commons:Food Safety Bill, remaining stages. Lorde: National Health Service

and Community Care Bill, report Motor Trade (Consumer Protection) Bill, report.

Computer Misuse Bill, com-Committees on private bills: Hythe, Kent Marina Bill (Room 5, 10.30 a.m.) and Tees and Hartlepool Port Authority Bill

(Room 6, 2.30 p.m.) Commons: Private members' motions.

### -11 GROSVENOR GARDENS, LONDON SWIW OBD Tel: 071-828 7233 AFBD member FISE 100 WALL STREET June. 2401/2411 +34 June. 2887/2899 +13 Sept. 2450/2460 +32 Sept. 2927/2839 +15 5pm Prices. Change from previous 9pm close

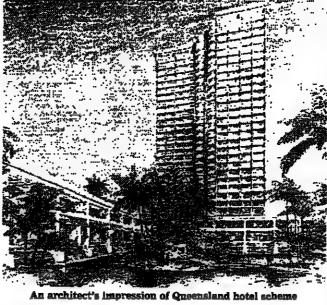
# **CONSTRUCTION CONTRACTS**

# Queensland hotel development

BARCLAY MOWLEM of Australia, part of the Mowlein Group, has been appointed construction manager for a A\$75m (£33.5m) hotel development on Queensland's Gold Coast. Being built for two Japanese companies, Town Development and Showa Build, it is scheduled to have a five star rating and is planned to be the finest building on the Gold Coast.

Located on the Nerang River in an extensive tropical waterscape, the 24 level tower will have 353 rooms with guest suites, a club floor and a presidential suite, serviced by seven lifts. A four-level podium will house speciality restaurants, interior and exterior bars, a large ballroom, seven conference rooms, a health club, kitchen, laundry and back-ofhouse facilities with car park-

Barclay Mowlem was chosen from 22 companies who bid for the fast-track project and the decision was based on the experience of the site team and its ability to complete the proj-ect on time and within budget.



While the architect was finalising his first impressions of the hotel Barclay Mowlem was already on site, excavating the

two-level car park Completion of the building of the hotel is sceduled for Febru-

# Hong Kong naval base scheme

Harbour in the commercial heart of Hong Kong island. The

new development will replace the HMS Tamar facilities with

PSA INTERNATIONAL has won a major design and project management commission for the HK\$300m development of a naval base on Stonecutters Island, Hong Kong This com-mission, awarded by the Hong Kong Government, is the first non-UK Government contract to be won since the April 1990 formation of the international

The current naval base in Hong Kong is HMS Tamar,

feeding branchy inited Scientific DM/DOBD & INTUREST PAYMENTS-Alled-Signel Inc. 45cts American Plastic Tech. Sales American Plastic Tech. 25cts igio American investment incuser-Busch Cos. Inc. 23 sing 37.5cts mbridge Grp. ir27p ase Manhattan Fitg. Rate Nts. 2009 8 Restaurants 0.815p

office contract worth 12.7m. A contract valued in excess of £5m has been won to design and build a 132 bedroom, fourstorey Novotel hotel in Wolverhampton. On an adjacent site

and workshops on Stonecutters Island which lies about one mile off the Kowloon water-The new naval base scheme will be phased and this com-mission includes married quarters for officers and for ratings,

single living accommodation, squadron headquarters, work-shops and infrastructure as

existing port facilities. Design development is to start immediately and occupation is due for early in 1993.

modern living accommodation PSA International is to provide project management ser-vices and the architectural and mechanical and electrical design services and be responsible for the geotechnical, civil and structural engineering commissions. PSA Services, created on April I, is the commercial successor to the Property Services Agency.

# £33m orders for Turriff Construction

TURRIFF CONSTRUCTION has won contracts in excess of

The largest, at £5.9m, is for the design and build of a five-storey office block at Telford. A second office contract for El.2m is also in Telford.

in Milton Keynes, the com-pany has won a warehouse and

in Wolverhampton a £3.2m contract has been awarded for a three-storey office block. In the North West, Turriff has secured a contract of \$2.2m to build extensions at a High School in the Wirral.

In the Midlands, orders worth in excess of £7m have been awarded to the company, the largest of these is from Sandwell Metropolitan Borough Council for two blocks of sheltered accommodation containing 41 flats and a warden's house. Two contracts worth

23.3m have been awarded for modernisation and evironmental improvements to 229 homes at Dudley and 128 homes in

Further orders totalling more than £2.4m include repairs to a primary school in Cambridgeshire, the design and build of three industrial units in Oxfordshire and repairs and re-development work for Argos at Daventry, the R.A.F. at Henlow and Cannock Chase District Council at

# YEARS OF COSTAIN 1865 TO 1990

# Office plan for King's **Cross**

HIGGS AND HILL MANAGEMENT CONTRACT-HIGGS ING has been awarded a contract worth £7m by P & 0 Developments for the construc-tion of a five-storey office block, close to King's Cross Station, in London.

The building will have a reinforced concrete frame and basement, on piled foundations. The pitched roof will be steel framed with Welsh slates and copper covered dormer

windows. Externally, the building will be clad in natural stone on the ground floor and a combination of brickwork and reconstructed stone on the floors

above.
The project will create 58,000 sq ft (gross) of air conditioned office accommodation with fourth floor levels. Raised floors and metal tiled suspended ceilings will be pro-vided throughout. Work has commenced on site and the project is due for completion in February 1991.

# Supermarket for Derby

Contracts valued at over 29m have been awarded to WIL-LIAM DAVIS, the Loughborough-based developer and con-

tractor.
Included in the contracts is an £8.7m supermarket to be built on behalf of a leading national supermarket chain. This project is to take place

at the multi-million pound retail development and busi-ness park, the Wyvern, in

Derby.
Other projects include a new showroom for Mercedes Benz at Kettering, worth £650,000, together with an industrial extension, worth £305,000, for Chas. Hall, a hosiery manufacturer in Shepshed.

# CONTRACTS & TENDERS

# ANDALUCIA TECHNOLOGY PARK FINANCE COMMITTE MALAGA

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Budget: 2.628.058.724 PESTAS

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# LEGAL NOTICES

BROMPTON HOLDINGS PLC

A Petition was presented to the Court of Season on Friday 25th May 1990 by Brompton Holdings pic. a company incorporated under the Companies Acts and having its Registered Office at Sites/furit Place, Bridge of Don, Abardeen for confirmation of radiustion of share premium account.

The Court by interlocutor dated Tuesday 290 The Court by intercousor costs of useasy aux May 1980 ordered intimation and advertise-ment of the Petition and appointed all parties claiming an interest to lodge Answers thereto, as so advised, within 21 days of such intimation and advertisement.

A C SENNETT & NOBERTSONS, WIL

THOMAS HUNTER (N/C) LIMITED

NOTICE 18 MERCETY CIVEN, pursuant to section 48 of the Institution Act 1986, that a MEETING of CREDITORS of the above-nemed company will be hald at the offices of Cork, Guilly, Archbold House, Archbold Twittee, Newcestle upon Tyre NE2 100 on 8 Jame 1999 at 11,00 am for the purposes of histing tald before it the report prepared by the Joint Administrative Rocetvers in accordance with the said section and, if thought it, appointing Committee, Creditors whose claims are wholly secured are not entitled to attend or vote at the Meeting Creditors whose claims are wholly secured are not entitled to attend or vote at the Meeting Creditors whose right part of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bit of exchange or promiseory note must breat the liability of any person who is liable on the bit antecedently to the company as security held by him funities that other person is subject to a Bähknaptry Order or in Liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims at the offices of Cork Guilly, Archbold House, Archbold Terrace, Newcastle upon Tyne ME2 1DO no toler than noon on 7 June 1990, A form of provy d intended to be used, must also be lodged with us by that time.

Dated this twenty third day of May 1980

PURSUANT TO SECTION 45(1)(A) OF THE INSOLVENCY ACT 1968

Sermanco Group Limited & Cos. & Company (Crowthorne) Limited I. Nigel J Vooght & J M Iredale of Cost. Gusty. 9 Greyhlara Road, Reading, RG1 1JC nereby give notion that on the 22nd day of May 1991 we were appointed Joini Administrative Receivers of above named company by National Westminster Bank Pic under the terms of a debenture dated 12 June 1985 giving the holders a fixed and floating charge over the whole of the assets of the company.

# HOMES FOR SALE IN

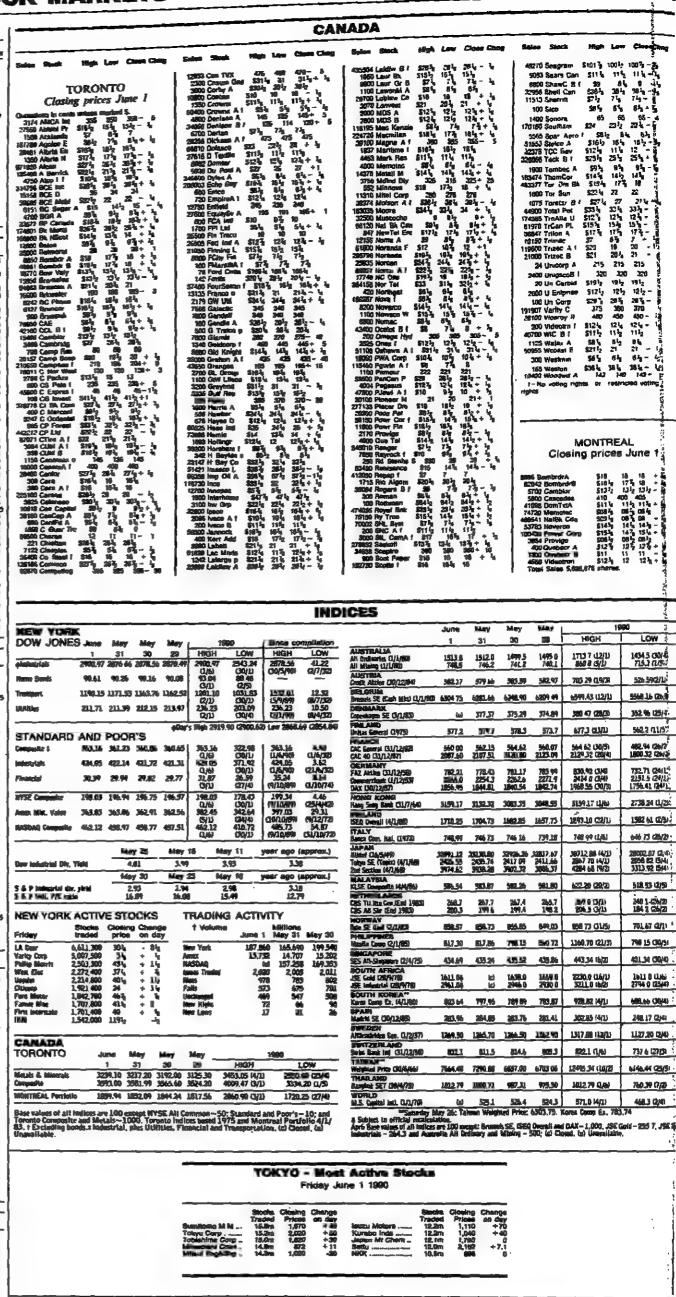
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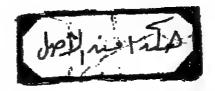
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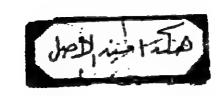
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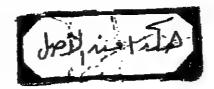
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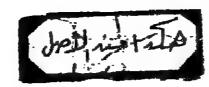


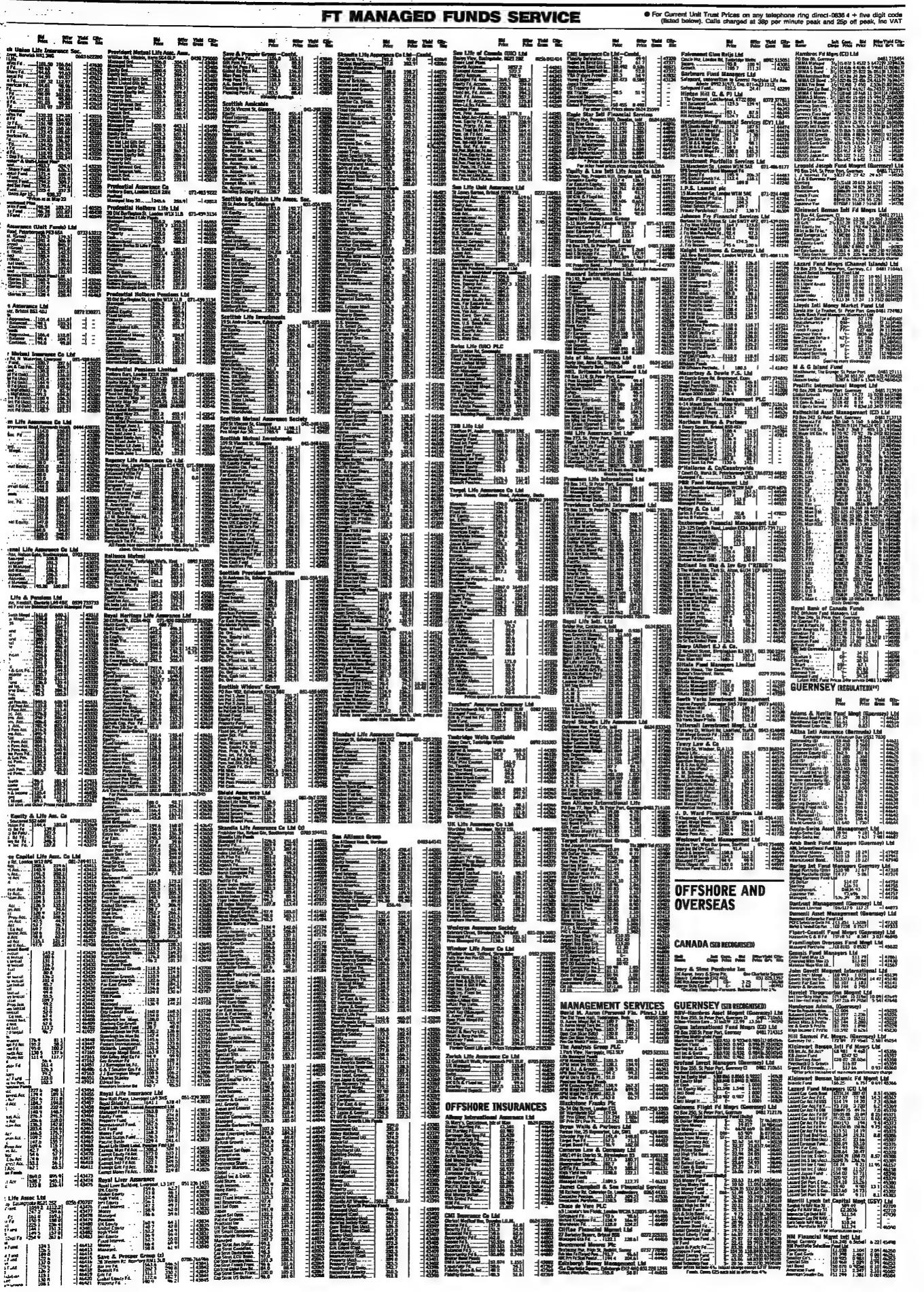


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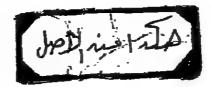


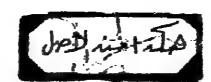




FINANCIAL TO BE

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# CURRENCIES, MONEY AND CAPITAL MARKETS

# ONEY MARKETS

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# l'en may be set o advance

oss trading between the ierwise rather dull period on foreign exchanges. Dealers looking for one of the jor currencies to break out the present narrow trading iges and at the moment the is the favourite candidate move higher. Currency

clearing bank base lenging rate 15 per cent from October 5

vements have become

reasingly based on political reasingly based on political ints, as economic news has led to move the markets. 'riday's disappointing US ployment data reinforced view that the US economy sluggish, but the dollar is ely to be supported by its if haven craise" as concern ife haven status", as concern reases about internal bility in the Soviet Union, potential problems of a

**2 IN NEW YORK** 

1.6806-1.6815 0.94-0.93pm 2.80-2.77pm 9.40-9.33pm

STERLING INDEX

Previous Class

united Germany, Sanese yen and the D.Mark mounting tension between caught the attention in an India and Pakistan.

Sterling looks vulnerable to any further economic setbacks as euphoria about possible ful British membership of the European Monetary System has faded.

This leaves the yen, which has recovered, as other currencies such as the D-Mark and dollar have lost favour. Mr Angus Armstrong at Morgan Grenfell believes the Bank of Japan's commitment to tighter monetary control will lead to a stronger yen. Ms Mary Beth Slack, senior technical analyst at Thompson Financial Networks, agrees the yen will improve. She looks for the D-Mark to fall quickly to around Y88.00 from the present level of Y89.35, and possibly to Y86.75 in the near future. Ms Slack also suggests the yen will advance against the dollar, with the US currency falling to Y144.00, unless it established trading range above Y152.00.

	CURRENCY	MOVE	MENTS
-	June.1	East of England Index	Mergar** Gentanty Cranges %
pra om om plar	Sterling U.S. Doller Consolien Doller Austrian Schilling Relgias France Danski Krone Constelle Mark Suries France Gelider France France France Gelider Una	39.1 67.5 103.8 103.8 111.1 110.0 113.9 114.2 103.8 100.7	-22.5 -10.2 +0.2 +0.3 +11.4 +4.4 +21.8 +21.8 +21.8 +12.7 -13.6 -12.7 -13.6
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				Jun Sip Dec	Cless 1,6762 1,6490 1,6240	1 6662 1 6630 1 6350	L6759 16450 1,6340	
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CAGO								

	94-12 94-12 93-21 93-21 93-99 93-99 93-99 92-30	High 94-17 94-11 94-02 93-27 93-19 93-14 93-07	55.55 55.73 55.73 56.73 56.73	F 50 50 50 50 50 50 50 50 50 50 50 50 50	Jan Sep Dec		Contract	High	Low	
	93-09 93-09 93-09	02.14	93-00 92-29	65-03 65-03	Dec		0.6611 0.6623 0.6628	0.6650 0.6650	0.4577 0.4587 0.4622	0.657 0.659 0.661
		93-07	92-23 92-16	91-14	DEUTSI DEC 25.	THE M		0		
	92-25 92-20	:	:	91-14 91-09	Jean Sap Date		Close 0.5085 0.5884 0.5880	0.5949 0.5950 0.5945	0.5875 0.5875 0.5875 0.5875	0.589 0.589 0.589
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DELPHIA ill (cents p		PTIČKŠ								

8 day's open int. Calls 368,723 Pets 357,180 (All commetes) 829 5 volume: Calls 27,672 Pets 15,293 (All commetes)

June 1	Day's spread	Clam	One month	% pa	Timer mentis	
US	1.6760 - 1.6925	1,6840 - 1,6850	0.94-0.92mm	6.63 1.28	280-277pm	Т
Capada	1.9670 - 1.9820	1.9700 - 1.9710	0.25-0.17mm	1.28	0 72-0.60pm	
Netherlands .	3.2942 - 3.214	3.20 t - 3.21 t	17-15 on	6.54	54-54:00	
Belgium	58.35-59.85	58.50 - 56.60	.11-20com	5.23	86-67pm	
Desmark	10.824 - 10.895	10.84 - 10.85	44-35 oresin	477	الروا 11-ي <sup>1</sup> 12	
reland	1.0565 - 1.0675	1.0615 - 1.0625	8.45-0.40com	4.80	120-1100	
W. Cerosay	284-2854	285-2855	14-14 prom	654 523 477 430 634	44-4500	
Portugal	249.50 - 251.40	250.40 - 251.40	5-14cms	-0.45	56-85ds 57-25as	
Spela	175.95-174.75	175 95 - 176.25	13-6cpm	2.56	37-25	
lah	208974 - 21.024	20993 - 21003	\$-415com	2.56	18-1 <i>1</i>	
its/way	10.89 - 10,9512	10.89 - 10.90	34-Soresin	179 4.85	101-91-90	
France	9,59 - 9,631	9.624 - 9.634	434 qm	5.80	113-115	
Smeder	10.264 - 10.314	10.30% - 10.31%	2½-2orepm	2.62	69-550	
Japan	2514 - 2564	2514 - 2554	14-12mm	7.65 6.45 5.89	<del>5,55</del> ps	
Aestria	19.98 - 20.09		11-10 kgropm	6.86 I	321-294 pe	
Series .	2394-2424	2414-2424	24-21 com	5.89	33,-31,00	
ECU	1.3835 - 1.3860	1.3850 - 1,3860	0.55-0.52mm	4,63	1.63-1.58pm	

spread p.A. months p.	% Lå.
Retherants   1,922 - 1,9135   1,906. 1,9070   0,026-per   0,00   0,014-lims   1,926. 1,915   34,61-34,95   34,70-34,89   1,07-34,89   1,07-36,89	5.64 5.57 5.00 1.27 7.62 5.30 1.26 1.26 1.26 1.26 1.26 1.26 1.26 1.26
Commercial cries taken towards the eat of London studing, 1-DK, instead and ECS are queed in OS car Formard prevalence and discounts apply to the US deliar and out to the individual corresary.	

(see)	2	S	300	You	F Fr.	S ft.	H FI.	Lire	C S	
\$	0.593	1465	2.853 1.693	254.8 151.2	9 <u>420</u> 5.714	2.418 1.405	3.213 1.907	2100 1246	1.971 1.170	3
(DEN YEM	0.351 1925	0.593 6.613	1178	1000 1000	3.375 37.77	0.848 9,490	1126 1261	7%.1 8242	0.6/11 7.735	2
P Pr. S Fr.	0.414	1750	2963 1186	264.6 105.4	3/65 3/65	2511	3.337 1.329	2181 868.5	2.047 0.615	6
Si PC. Edm	0.311 0.476	0.524	0.88E 1.389	79.30 121.3	2.997 4.585	0.753 1.151	1.530	463.6 1000.	0.413	11
CS B Fr.	0.507 1.708	0.655	1.447	129.3	4.885 16,44	120	1.620 5.488	1065 3987	3.366	2

草	URO-CL	PRENC	THE Y	EREST	RATES	
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FT LC	MDON INT	ERBANK F	IXING									
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The fitting rates are the ariti succed to the market by five Bard, Bank of Tokyo, Deni	or fixing rates are the arithmetic system remaind to the morrest one-statement, of the bid and offered rates for S10b used to the startes by the reference basis at 11.00 a.m. each worston day. The basis are Maximal Westmissis art, Basis of Tokyo, Dwesche Basis, Basser Hotiasal de Paris and Morgan Guaranty Trust.											

Company   Comp	* *	'i	ONE	/ RAT	'ES	:	** ***
Decreight   One   New   Two   Three   Str.   Londard   Inserting   Inserting	NEW YORK			Treasury	Bills and	Bonds	
President   7 80-7 90   7 85-1 00   8 00-6 15   8 15-6 30   9 4-6 5   9 10-	(4pm) Prime rate Broker loan rate Fed.funds Fed.funds at loterwallies	10	i wa manaki Nane angetia Na mantia Na yesi		7.43 Three 7.35 Fear 7.93 Fine; 8.60 Street 8.67 10-ye 8.32 30-ye	#	3
Perts	Jane.1	Oversight	(Inc	Two Months	Tiene Montis	Str	Lombard Intervention
	Frankfist	93-10 84-84 7-90-8-00 73-74 115-11	95 <sub>1</sub> -94 85 <sub>1</sub> -85	93-93	8158,8 9129, 8179,	94-10	

	Overnight	7 days notice	Mostin	Three Montis	Six Mouths	Astr. Das
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# **FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

ides 37 59	% chg (3) since 29/12/89	Pound Sterling	Man		Local		_								
		Index	Yen Index	Om Index		chg from 29/12/88	Otv. Yleid	US Dollar Index	Pound Sterling Index	Yen Index	Den Index	Local Carrency Index	1580 High	1990 Low	(sbbcaz) siĝo Ases
	- 9.1	121.10	131.59	121.11	118.88	-6.7	5.85	137.33	121.41	132.47	121.30	118.85	158.31	125.85 193.15	132.5
10.08	+31.8	211.30	229.62	211.32	211,23	+ 32.1	1.28	238.29 150.34	210.66 132.91	229.86 145.01	210.48 132.79	210.05 129.39	265.63 160.02	132.11	130.4
1.55	-2.0	133.39	144.93	133.39	129.88	-4.4	4,44				122.79		153.61	130.37	138.2
8.87	-8.7	122.23	132.81	122.22	117.91	-7.6	3.48	138.48	122.40	133.55		117,70			180.8
															145.7
															120.7
															85.
							4 70								112
															138.0
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5 38															185.
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		214.80													161
15 57	+ 16.0														
2.57		169.49	184.17												132
9.70															149.
1.73	+ 10.2														158.
3.69	+ 10.2	91.26	99,17												74.
1.27	+ 1.6	141.94	154.22												139.
6.77	+2.6	129.18	140.38	129, 19	146.77	+28	3.32	145.93	129.01	140.77	128.91	145.93	146.77	130.61	132.
7 10	÷33	129.47	140.68	129.48	129.07	+0.6	3.51	145.89	128.98	140.73	128.87	128.44	147.A2	135.57	116.
			195.75	180,15	174,90	+7.4									153.
3 77	-20.2				146,60	-16.2	0.67		135.46						173.
						-10.5	1.91	150.65	133.18	145.30					150.
						+2.0	3.33	145.38	128.53	140.25	128.44	144.08			133.
						+2.8	2.73	136.40	120.59	131.60	120.51	120.79			101.
						+ 0.5	5.08	133,48	118.00	128.77	117.91	120,21	139.32		121.
							1.98	150.88	133.39	145.55	133.28	139.97			150.
							2.19	146.93	129.90	141 74	129.80	141.99	162.00	130.80	143.
								147.70	130.58	142.49	130.48	141.64	161.84	131.95	142.
									128.99	140.76	128.90	138.14	146.83	134.62	128.
6.83											190.72	141.00	183.05	199.95	142.
<b>8 78</b>	-7.4														
3523305311511101111111111111111111111111	3.80 4.75 0.480 4.80 4.05 5.57 7.10	8.17 +3.7 2.55 +4.2 0.80 +11.7 7.668 +8.4 5.38 -21.3 3.80 +2.1 4.75 +57.4 0.88 -2.1 4.05 +22.1 6.57 +16.0 2.57 -16.0 2.57 -2.0 1.73 +10.2 3.127 +1.6 6.77 +2.6 7.10 +3.3 4.67 +9.2 3.17 +2.6 7.10 +3.3 4.67 +9.2 3.17 -2.0 1.683 -1.0 1.75 +7.6 1.75 +7.6 1	8.77 +3.7 121.81 2.55 +42 143.07 9.22 +44 113.73 0.80 +11.7 115.12 7.61 +3.3 165.12 6.68 +8.4 93.90 5.38 -21.3 136.76 4.75 +57.4 479.45 0.88 -2.1 123.99 4.80 +2.1 205.77 4.75 +57.4 479.45 0.88 -2.1 123.99 4.80 +2.1 213.99 4.80 +2.1 214.90 6.57 +16.0 180.93 2.57 -2.0 189.49 9.70 -2.1 140.56 1.73 +10.2 186.36 3.69 +10.2 91.26 6.77 +2.6 129.18 7.10 +3.3 129.47 4.67 +9.2 180.14 6.77 +2.6 129.18 7.10 +3.3 129.47 4.67 +9.2 133.39 6.19 +1.9 128.67 6.95 +4.5 120.54 3.78 -0.9 117.75 1.66 -12.0 133.49 1.75 -8.3 129.88 8.51 -7.5 130.71 6.83 +2.3 129.23 8.78 -7.4 130.94	8.77 +3.7 121.61 132.15 2.55 +4.2 143.07 155.45 9.22 +4.4 113.73 123.60 0.80 +11.7 115.12 125.09 7.61 +3.3 165.12 179.43 6.68 +8.4 93.90 102.03 5.38 -21.3 138.76 148.63 3.80 +2.1 205.77 223.59 4.75 +57.4 479.45 520.99 0.88 -2.1 123.99 134.74 4.80 -10.1 57.03 61.98 4.05 +22.1 214.80 233.41 6.57 +16.0 180.93 198.61 2.57 -2.0 169.49 184.17 9.70 -2.1 140.56 152.74 1.73 +10.2 186.36 202.51 3.69 +10.2 91.26 99.17 3.69 +10.2 91.26 99.17 3.69 +10.2 91.26 99.17 7.10 +3.3 129.47 140.68 4.67 +9.2 180.54 195.75 3.77 -2.0 2 135.34 147.06 6.19 +1.9 128.67 139.83 1.46 -12.3 133.31 144.84 6.79 +1.9 128.67 139.83 6.79 +1.9 128.67 139.83 1.46 -12.0 133.49 145.06 1.59 +1.9 128.67 139.83 1.66 -12.0 133.49 145.06 1.59 +1.9 128.67 139.83 1.66 -12.0 133.49 145.06 1.59 +1.9 128.67 139.83 1.69 +1.9 128.67 139.83 1.75 -8.3 129.88 141.15 8.51 -7.5 130.71 142.05 6.83 +2.3 129.23 140.44 8.78 -7.4 130.94 142.29	8.17 + 3.7 121.61 132.15 121.62 2.55 + 4.2 143.07 155.45 143.07 9.22 + 4.4 113.73 123.60 113.75 0.80 + 11.7 115.12 125.09 115.13 7.61 + 3.3 185.16 179.43 165.13 6.68 + 8.4 93.90 102.03 93.90 5.38 - 21.3 138.76 148.63 136.76 3.80 + 2.1 205.77 223.59 205.78 4.67 + 479.45 520.98 479.48 0.88 - 2.1 123.99 134.74 124.00 4.60 - 10.1 57.03 61.98 57.04 4.05 + 22.1 274.80 233.41 24.81 6.57 + 16.0 180.93 198.61 180.94 2.57 - 2.0 189.49 184.17 199.50 9.70 - 2.1 140.56 152.74 140.58 1.73 + 10.2 186.36 202.51 186.37 3.69 + 10.2 91.26 99.17 91.28 1.74 + 1.6 141.94 154.22 141.94 6.77 + 2.6 129.18 140.38 129.19 7.10 + 3.3 129.47 140.68 129.48 4.67 + 9.2 180.14 195.75 180.15 3.77 - 20.2 135.34 147.06 135.34 1.46 - 12.3 133.31 144.84 133.31 6.19 + 1.9 128.67 139.83 129.70 1.76 - 120 133.49 145.06 135.50 1.75 - 8.3 129.88 141.15 129.90 8.76 - 75 130.71 142.05 130.73 6.83 + 2.3 129.23 140.44 129.26 8.78 - 7.4 130.94 142.29 130.96	8.77 +3.7 121.81 132.15 121.82 114.52 1255 +42 143.07 125.45 143.07 145.72 126.82 114.52 125.45 143.07 145.72 126.80 113.75 113.73 123.60 113.75 113.73 123.60 113.75 113.73 123.60 113.75 113.73 123.60 113.75 113.73 125.09 115.13 130.71 145.72 125.09 115.13 130.71 125.09 120.03 93.90 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182.03 198.61 180.94 175.54 +13.1 1.93 205.90 182.03 198.62 25.77 -2.0 169.49 184.17 169.50 162.65 +7.1 3.65 183.85 171.38 186.99 9.70 -2.1 140.56 152.74 140.56 126.79 -6.2 4.19 159.28 140.82 153.65 17.3 +10.2 186.56 202.51 188.37 191.91 +9.0 2.10 210.30 185.92 202.66 127 +1.6 141.94 154.22 141.94 141.94 -2.7 4.75 158.91 140.88 129.91 146.77 +2.6 129.18 140.88 129.94 146.77 +2.6 129.18 140.88 129.94 146.77 +2.6 129.18 140.88 129.94 140.87 129.07 +0.8 3.51 145.89 129.01 140.77 146.6 +1.3 129.75 130.75 144.86 -12.3 133.31 144.84 133.31 139.99 -10.5 1.91 150.65 133.39 145.56 135.34 146.60 -16.2 0.87 133.22 135.46 147.80 135.85 129.03 140.87 139.91 140.88 132.91 140.88 129.07 +0.8 3.51 145.89 129.01 140.77 140.66 150.77 120.57 120.57 120.57 +2.8 2.73 136.40 120.59 131.60 130.67 144.86 -2.3 132.31 144.84 133.31 139.99 -10.5 1.91 150.65 133.39 145.56 133.39 145.56 135.34 146.60 -16.5 2.19 146.89 129.00 141.76 135.34 145.06 -6.5 2.19 146.93 129.00 141.76 135.87 140.88 133.99 140.25 135.84 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  149.34   197.26   479.45   520.99   479.48   1889.11   +78.5   0.31   539.66   477.10   520.57   226.59   235.77   243.61   245.32   245.72   245.72   225.79   23.59   23.44   241.81   242.44   +18.8   1.43   242.00   213.95   233.44   213.77   214.00   245.90   405.57   +16.0   180.93   198.61   180.94   175.54   +13.1   1.93   205.90   182.23   171.23   181.87   175.82   207.26	8.77 +3.7 121.81 132.15 121.82 114.52 +1.3 2.38 137.88 121.88 133.10 121.88 114.92 152.28 129.99 25.5 +4.2 14.3.07 155.45 143.07 145.72 +2.9 2.82 163.44 144.50 167.65 144.36 148.91 168.55 141.69 20.80 +11.7 115.12 125.09 115.13 130.71 +11.4 4.76 129.94 114.87 125.34 114.78 129.80 130.80 +11.7 115.12 125.09 115.13 130.71 +11.4 4.76 129.94 114.87 125.34 114.76 129.80 130.80 112.24 6.68 +8.4 93.90 102.03 98.90 99.33 +6.5 2.40 106.14 93.83 102.38 93.75 99.06 107.10 91.85 5.38 -21.3 183.76 148.89 150.78 148.60 -17.2 0.58 154.82 136.77 149.56 93.75 99.06 107.10 91.85 5.38 -21.3 183.76 148.89 136.78 148.60 -17.2 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4142	CAPITAL MARKETS
	LONDON RECENT ISSUES

	Aprileo Palal	Latesi, Respec	19	90	Stack	Closing Price	-	illet Div	Times Cov'd	Grass	P/E
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200	l Till	1 - I	585	680	Applicate Euro law Units	100		15.9	2	~ ? !	122
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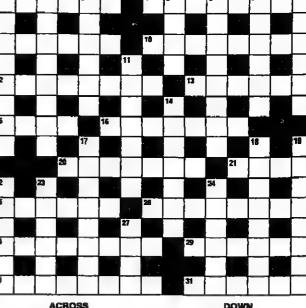
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# CROSSWORD

No.7,254 Set by TANTALUS



ACROSS flower (4.2.8)

Read super novel to sweet-heart (6) 10 Steep docking area by the edges of Tyne (8) 12 Dance with Ted may be

immoral (8)
13 Insane chaps speak endlessly (6)
15 Carry set of books into

empty theatre (4) 16 Extend term of imprisonment (7)
20 No college could be without the French perfume (7)

21 Messenger in Europa get-ting more tips (4) 25 Doctor got up looking gloomy (6)

Quiet one in hollow - he will testify (8) 28 The last place for an animal 29 Extol characters in Persia

(6) 30 Sat with flute playing what is aesthetic (8)
31 Building extension in favourite surroundings to have small ball (6)

DOWN 1 Start of race - time to pel with stones! (8) 2 Girl going to large town

5 Thin branch brought up to cart (4)

cart (4)
6 Facts provided by 26 (8)
7 Oriental wagoner stops short to see game (6)
8 He's out meeting the Italian and an Aussie girl (6)
11 Outgrowth for English people (7)
14 Winding 24 (7)

17 Eton site developed to pro duce rose (8) 18 Important stuff (8) 19 Aware nurse and specialist

accept it in return (8)
22 Make known trap on motorway is put up (6)
23 Examinations causing grief: 24 Officer sure to change direc-

tion (6)
27 A fashionable university for Japanese people (4)

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The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 16.



# **LONDON SHARE SERVICE**

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BRITISH FUNDS

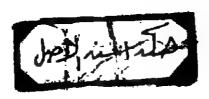
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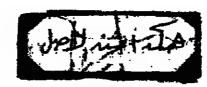
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3,31Bectoma A 100.

21.6 Brit. Mobal.

3,26+Corpd 100.

4,22Drunsmand Scraus.

4,22Drunsmand Scraus.

4,22Drunsmand Scraus.

4,22Drunsmand Scraus.

4,12Early Wither IDD.

7,77Gaskel 200.

4,7HitCitiag Perticon.

4,54 ingham53 10p.

4,22Kynack (5,6,6).

4,7Hecting Perticon.

4,54 ingham53 10p.

4,22Kynack (6,6,6).

4,7Hecting Perticon.

4,54 ingham53 10p.

1,22Kynack (6,6,7).

4,54 ingham53 10p.

21,22kynack (6,6).

7,77Parkind 'A.

1,86 ingham53 10p.

2,41SEET 20p.

20,9Robans Strong.

7,77Parkind 'A.

100 1,RoadGort 5p.

20,9Robans Strong.

7,77Parkind 'A.

101,17cm/strong.

24,1SEET 20p.

24,55,74cm/strong.

25,33Victoria Carpal.

26,5,77cm/y50.

8,33Victoria Carpal.

9,99Yorkiyde 10p.

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1,2,445 runs.

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1,440 r 13. June storology.

13. June storology.

13. June line line. 1.00., y

7.08 Do. Cap. 29., y

5. Secsone law. 50., y

13. Secsone law. 50., y

14. 4.824.2 Mar Sapt Only
14.1 0.22.10 October 3108
-2.10 Jun Am 3181
-2.10 Jun Am 3181
-2.10 Jun Am 3181
-2.10 Cut May 4853
-2.10 520. OSouthwast SQL 22. 25 Uniformain 50c... 71.2. OVani Reefs SQL 19. Ovani Reefs SQL evelies 1 5g., y
and Group 20g y
March 10g, y
March 10g, y
March 10g, y
on/vol, 'A' y
promp 25g.g., y
Porter 10g, y
50
on 10g, y
10g, y REGIONAL & IRISH STOCKS he following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency. O.F.S.
406 1.8 6.012.3 Apr 0c. 1752
558 2.012.81511 Jane 0c. 23.29
158 6.3 - 2.25
417 1.0 2.6 3.4 Oct May 2303
105 0.8 1411 - 320
574 -0.711.629.1 - 4067
366 9.9 6.719.9 Jun 0c. 4256 175i.....J | Diamond and Platinum | 178a | 1875 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 | 1876 TRADITIONAL OPTIONS
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147 JB pages 6-7 AS MEZ 5.
148 JB pages 6-7 AS MEZ 5.
158 JB pages 6-7 AS MEZ 5.
159 JB pages 6-7 AS MEZ 5.
150 JB pag Property **PROPERTY** 10.0 4 x | 30.4 | 3an July | 1256 | 12.2 | 8.9 | 12.3 | Agr Oct | 1554 | Agr Oct | 1561 | A ondon 10p #

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-6. **OIL AND GAS** TRADITIONAL OPTIONS Secs 10p 8 ten . y Prop Gra vi Hidgel vi Grap 10p vi Lates 5p B La Grapp 5p vi n Testa5p B TRUSTS, FINANCE, LAND
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# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices June 1 | The content | | Table | Company | Compan - The control of the 

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MONDAY



# When IT solutions are the problem

WifEN managers discuss what can go wrong with a newly-in-stalled computer system, the talk usually turns to the horror stories that make newspa-per headlines.

There was, for instance, the Paris court computer which was supposed to issue summonses for parking violations, but decided instead to send out allegations of prostitution, liv-ing off immoral earnings, burglary and manslaughter.

As emborrassing as these incidents are, they are the sorts of things that people expect computers to do. There are two less spectacular consequences of the introduction of computer systems that worry many managers as much. The first is that, despite

their best intentions, they never really learn how their systems work. The information technology specialists explain, but they cannot appreciate how little ordinary

Managers promise them-selves that they will ask the stupid questions, but most people can only bear to be stupid for so long.

Unexpected results The second consequence, usually unforeseen, is that when a computer system is introduced there are many unpredictable consequences.
Writing the European Management Journal.\* Ian Angell and Steve Smithson of the London School of Economics teil of suppliers whose custom-ers had adopted computerised just-in-time stock control systems. Terrified of being

unable to meet the demands of the system, the suppliers stored perishable goods in rusting lorries near the customers' factories. Another consequence of new computer systems is that the measurements they make pos-sible sometimes end up damaging the business. Systems can measure how quickly staff deal with customers, but not how well they treat them.

Angell and Smithson tell the story of a British building society which decided to mea-sure customer throughput. One customer asked three clerks in different branches the same question. He got three answers, all of them give the first onswer that came into their heads, which was not surprising. They were being measured for the speed of the response, not for whether it was correct.

Even employees who start off thinking new systems have made their work easier can end up regretting that they ever laid their hands on a computer keyboard. Many organisations new have system users who suffer from chronic arm and hand injuries. The dangers have been known for some time, but managers dis-missed the problem or assumed they would escape it.

'Junk mail'

Other consequences of computer systems are less destructive, but change organisations in ways that managers do not connect. "For example, elec-trome mail has many benefits, yet it has well-documented number effects; the danger of reduced social interaction: hours wasted reading 'junk mail,'" the writers say.

Managers have long been told that their job is to man-age change. As a result of the introduction of IT systems, many find they are managing erisis instead.

So what is to be done? The first step is for managers to take responsibility for IT systems back from the IT pro-tessionals. Consultants and salesmen usually say they want to provide companies with a total IT solution. What they often mean is that they have developed a solution which they would like to

throw at your problem.
The whole notion of "IT" spintions" should be treated; with scopticism. A solution usually means an integrated system, which is what many companies do not need. The greater the level of integration, the greater the size of the motential disaster. Flexible, smaller systems are often a

better idea. Angell and Smithson say, too, that companies believe that IT will reduce their dependence on people. In fact. a increases it. It takes welltrained stall to get the most out of an information system and to know what to do when diags go wrong.

Volume 8, No 1, Michael Skapinker MONDAY INTERVIEW

e is Moses, Ben-Hur and Michelangelo; he is ex-president of

Guild and current president of the American Film Institute.

Hollywood power broker, Charlton Heston is probably

the closest thing American cin-ema has to God.

Living legends seldom mea-sure up when one meets them.

"Oh, is this all?" one murmurs

as a long-idolised star proves to be five feet six inches tall and knock-kneed. No such alarms

with Mr H. When we met in his palatial Hollywood home recently, soon after he had fin-

shed shooting two films back to back - Treasure Island and a science-fiction epic called Solar Crisis - he looked about six feet four inches in sports shirt, shorts and tennis shoes.

And at age 66, Heston's knees are still those that held firm as

he rounded the hairpin in a

chariot race 30 years ago.
"I guess I'm associated with

brooding authority figures."

says the brooding, authorita-tive voice issuing from the Roman profile. "I've played kings and quarterbacks, cow-

boys and cardinals. I've even played your Henry VIII."

In a bizarre acting departure, Heston has now donned a par-

rot and Cornish accent to play "our" Long John Silver. The film, directed by Heston's son Fraser, opens in Britain on

June 15. Angiophilia comes easily to this actor: he graced

the London stage some years back in A Man For All Sea-sons. And in a career that must be the most ambassado-

rial in Hollywood history, he has translated all-American

grace-and-beefcake virtues into almost every non-American hero role under the sun.

of my career: I think I've played 12 different nationali-ties. Foreign audiences, thank-

fully, don't seem to resent it. Italians were happy to have me

as Michelangelo, the Spanish as El Cid, the British as Gen-

eral Gordon. And Israeli audiences accepted me as Moses

and Ben Hur. In fact Willy Wyler said to me after be'd fin-

ished directing Ben Hur, 'After

this, Chuck, you are now the industry's leading imitation Jew'," (chuckles).

Jew," (chuckles).

Today Heston still exercises "brooding authority," but as much off camera as on. He insists he is not about to follow Ronald Reagan or Clint Eastwood into politics: "As an actor I've been President of the

USA three times already. I think that's enough for any man." But both as head of the

AFI and as a long-time White

House familiar, at least during Republican tenures, Heston is

happy to lay down the law

about movie industry politics. The law according to the right.

Catch him on a venement day and you are startled at the

true-blue opinions winging

past you. On the new trend towards

"It's the most unusual aspect

# Lantern jaw with stone tablets

Charlton Heston speaks to **Nigel Andrews** 

women directors in Hollywood: "Who says we need women directors? We need the best directors? We need the best directors. Are you saying we should legislate for quotas? I'm very uneasy about quotas." I have said nothing about quotas. "As Billy Wilder once said about the Unfriendly Ten, only two had talent, the rest were just unfriendly." (The Ten were the blacklisted writers and directors of the 1950s who and directors of the 1950s who refused to testify before the

McCarthy committee.)
On Mikhail Gorbachev: "Everyone is so bullish about Gorbachev. But that man has now gathered more power to himself than anyone since

PERSONAL FILE

1924 Born Evanston, Hilnois. Educated Northwestern University, Evanston. 1948 First Broadway appearance in Antony and Cleopatra. Has starred in more than 50 films.

Academy Award for Best Actor, Ben Hur. 1985-71 President of Screen Actors Guild. 1973 Chairman, American

Film Institute.

I- Chairman on Arts,
Presidential Task Force
on Arts and Humanities.

On not playing wimps: "I've often played sons of bitches, but I've never played a wimp. Jack Lemmon I am not: your lovable wimp. I saw Korda's Henry VIII the other day. Now Charles Laughton is a great actor, but he couldn't play a king. He's kind of wimpy. Also, he couldn't ride a horse."

On being right wing in Hollywood: "It's a lonely battle. There's really only me and There's really only me and Tom Selleck. Hollywood has become 99 per cent left wing over the time I've been in the

The trouble with loving cinema, as a group of French critics (Godard, Truffaut and company) once noted, is that many of your screen idols come from the wilder political fringes. It is a difficulty that has to be swallowed. Heston is a star this writer grew up with as the

greatest heroic screen presence of his generation.

Today it is hard to separate the demi-god who parted the Red Sea or painted the Sistine Chapel from the man lording it over a mansion on a Hollywood mountain (picture windows overlooking 800 acres of Water Conservation forest) and dealing out commandments on every subject from female

every subject from lemale film-makers (we disagree) to new screen technology.

Here at least we agree. The devaluation of the big screen experience with the rise of television and video is a pet subject of Heston's: both as a star and as a movie industry seer and oversear.

and as a movie industry seer and overseer.

"People come up to me and say, 'I copied The Ten Commandments on video yesterday.' But I say, 'No, you didn't.' Because it's not the same film. On TV or video, it's lopped and chopped, it has poor resolution and barely acceptable colour and sound.

"Ninety per cent of all the moving images seen in the moving images seen in the world today are seen on a TV screen. And I think that's a tragedy. But it's where we are. tragedy. But it's where we are. We're caught in a crack of technology. Techniques are not keeping up with new formats. It is technically feasible to deal with these problems now, but it's not being done. It'll be the next century before we have what we should have now: wall-to-wall TV screens with good sound, good colour."

wall-to-wall TV screens with good sound, good colour." Heston is even more acerbic about current trends in Holly-wood movie-making. He sees a shift away from epic values and multi-dimensional charac-ters towards Readimix cinema. "The main influence on films today and it's a negative one

today, and it's a negative one, is the cost of making them. Pee Wee's Big Adventure cost more than Ben Hur. We made Ben Hur for \$14.4m. Today it would not \$10.20 and the second to the Hur for \$14.4m. Today it would cost \$122.3m. You can't make films for that kind of money. You couldn't make Lawrence of Arabis today, or The Bridge on the River Rwai. Today a modern comedy with no above-the-line costs — which means major creative talent — will set you back \$15m-\$20m.

"This means directors have



# 'We're caught in a crack of technology'

to make films that appeal to the broadest possible demographic base just to break even: and even that with help from video sales. So you have a diet of films, usually comedies, based on the 'concept.' A film like Twins, which made over \$100m, has the concept, How about Arnold Schwarzenegger and Danny De Vito as twin brothers?' Great! And then you could almost make the film without the script.

without the script.
"They do still make serious, richly conceived films, like Kenneth Branagh's Henry V. Good for him. I'd like to do Macbeth. But these films are

one in 100. The overwhelming bulk of the market today is the

bulk of the market today is the concept movie."

Hard times indeed for an actor who learned his craft in the venturesome dawn of live American television. "That was in '48, '49. TV was shunned by established actors back then; they thought it was tacky and it didn't pay well. So there we were, a bunch of unemployed 25-year-olds practically running the medium: cally running the medium:
Paul Newman, Joanne Woodward, Jimmy Dean, me, Jack
Lemmon, in the 15 months I
spent as a freelance actor on
TV. I did Shaw, Macbeth,

Henry James, Turgenev, Jane Eyre . . . I submit, the actor doesn't draw breath who isn't going to be good in one of those parts."

How much influence did the

television camera's intimate sys have in later years, when Heston had to find the inner man in a series of larger-than-

life heroes?
"It's fashionable for modern "It's fashionable for modern actors to talk about getting to the 'inside' of a character. But you can't get to the inside without getting the outside right first. I'm a proponent of Olivier's green umbrella theory. He couldn't think how to play a character in one of his early stage roles. He passed a pawnshop and saw this crinkly green umbrella; and he thought. 'That's just the

umbrella this guy would have!
"I'm the same. I work from
the outside in. With the Admiral I play in my new film Solar Crisis. there's a scene where he's working out, exercising And I said, 'This is a crusty oid sonofabitch; he'd still have his old sweat-suit from the navel academy at Annapolis.' And I got them to find a sweat-suit for me and told them to put 'USN' on it for US Navy and wash it 27 times so it looked. really old."

There is something of the well-laundered old sweat - no disrespect intended - about disrespect intended — about Heston. An actor who has been washed umpteen times in heroic roles must start to look different by the end of his life. Does the grandeur of the character rub off on the star?

"It would be ridiculous to protected that having played."

pretend that, having played Andrew Jackson or Thomas Jefferson, one assumes his qualities. Would that it were Jefferson. One assumes his qualities. Would that it were so. But exploring these men is an exciting experience and a humbling one. In these egalitarian times we tend to dismiss the great man. But they exist and they have shaped the world. Thomas Jefferson was probably accurately described as the only genius who ever sat in the White House."

With the world beginning a new decade — and soon a new millennium — I asked the star who once brought the tablets down from Mount Sinai if he had any prophecies for the film industry's future.

"Movies, like life, are impossible to predict. Who would have thought that the Berlin Wall would have been torn down and the chairman of the Soviet Union would be on the brink of saying he's not a con-

brink of saying he's not a com-munist? There's a lovely joke going around in Moscow which says that glasnost and peres-troika will have truly succeeded when on the morning news on Moscow TV the

news on Moscow TV the announcer says: 'Comrades' - Heston assumes a Russian accent - "the historic and heroic experiment undertaken on the night of October 24% has now been concluded. Thank you and good morning ladies and gentiemen.'

"I can't predict what will happen. The technology in film may improve; we may soon have truly three-dimensional film. I'm delighted I'm still around in this business. Still working, still making a living from something I'd do free. But don't teil the producers that."

# A struggle unfolds over judicial review

A n intriguing struggle is unfolding between the courts and executive government over the extent of the former's power to exercise control over administrative actions challenged by way of judicial review. The latest round in the contest has gone to the judiciary, but the war has not by means been won and lost.

A year ago the Court of Appeal, by a majority, boldly decided that the courts could grant injunctive relief to a party challenging a minister's decision on an application for judicial review in that case the licensing authority estab-lished under the Medicines Act 1509 had been proposing to use confidential information, supplied by Smith Kline & French with the company's application for a product licence, in order to evaluate similar applications from rival competitors for

Smith. Kline & French applied, among other reliefs. for an injuction to prevent the licensing authority from making such use of confidential information. While the major-ity of the Lords Justices declined to grant an interim injunction to the company pending its appeal to the House of Lords against the adverse ruling on the substance of the application for judicial review, they stated positively that the courts did have power to grant injunctive relief against officers of the Crown. Lord Justice Dillon took a contrary view that. while a court might grant a stay of proceedings, it could not grant injunctions against the Crown.

His view prevailed in a later case which went to the House of Lords. But that later case was unconcerned with the issue of a stay of proceedings in judicial review applications. On that score all three Lords Justices agreed that a stay, as distinct from an injunction. was available to the court. That view has now been the subject of another case in the Court of Appeal.

In R v. Secretary of State for Education & Science, ex parte



# JUSTINIAN

Avon County Council decided on 15 May, the Court of Appeal, with one member only (Lord Justice Taylor) common to both cases was asked to grant Avon County Council a stay of action upon decisions taken by the Secretary of State for Education and Science concerning certain schools in the Bristol area. The argument between the local authority and Secretary of State turned on the meaning of certain words in the famous Order 53 words in the famous Order 53 of the Rules of the Supreme Court dealing with the procedural rules for applications for judicial review. That provides that the court may grant a "stay of proceedings" to which the application for judicial review relates until the application is finally determined.

The contest was simply formulated between the contest. mulated between the contes tants. The local authority submitted that the courts' power to grant a stay was expressly given by the rules. The Secretary of State contended that the word "proceedings" related only to court proceedings and could not include decisions made by the Secretary of State, together with any process by which he and his officials had reached such decisions.

The Government was keen to persuade the court that the court's power to grant a stay was akin to an interim injunction, because there is a long, established rule that no injunction can be granted against the Crown, although the judges have deplored this "triumph of logic over justice. But the Court of Appeal was able to circumvent that uncomfortable role by asserting that a stay of a stay will ramble on.

proceedings could not, how-ever superficially attractive, be properly described as an injunction is an order directed at one party to a plece of litigation; it is not directable to a court or decision-making body such as a minister. An application for judicial review bore similarities to civil proceedings between rival disputants, in which an injunction might be ordered at the instance of one party against that party's oppo-

Proceedings for judicial review are not a legal method for resolving disputes between parties in the field of private law, each party with an interest to pursue or protect. Judi-cial review is that public law's instrument for determining the legality of governmental actions. It is a challenge to the way in wich a ministerial or administrative decision is arrived at. In no sense is the decision maker an opposing party in some dispute.

An order by the court that a decision by a person or body whose decision is being challenged by judicial review should not take effect until that challenge has finally been determined was properly described as a stay. Until recently the courts had not had to be bothered with ordering stays, probably because a public authority, whose decision was the subject of challenge, could not safely proceed to do anything in furtherance of its decision, in case it should turn An order by the court that a decision, in case it should turn out that the order was void and its acts beyond its legal powers, perhaps with conse-quent liabilities.

Interim suspension of disputed decisions would be virtu-ally automatic. But that may not always be the case. Hence the need for the court to order suspension, even in an ani-mated form, while the challenge to the official decision is determined by the court. Gov-eroment departments may, however, desire not to have their administrative actions



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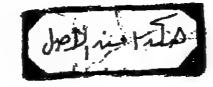
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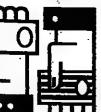
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In spite of the debt crisis, export credit is still in demand, Peter Montagnon writes. Political

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1982 European single et is coming early to the it insurance industry. ges in Community regulamean that from the start of mean that from the start of month European insurance anies will be able to write commercial risk across nal boundaries.

is will open up the Eurocredit insurance market, erto compartmentalised national lines, to internal competition.

ingside the search for new inques to finance investment trade with Eastern Europe incertainty over the future of export credit agencies in uniterm project finance, the of the single market on term export credit insuris one of the main challs facing the trade finance try at the start of the new

化二均积

Britain, the short-term ance division of the Export is Guarantee Department is privatised to take advanced the opportunities raised uropean liberalisation. Once of government control and constraint to support only hexports, it will be able to etc in the new and larger lean market.

GD is not the only Euro-

pean insurance concern gearing up for the change. Among the more aggressive continental agencies, NCM of Holland, already a private sector company, is expanding overseas. Hermes of West Garmany and Coface of France are doing the same. Market specialists say Bacob, the privately-owned Belgian concern, has also become more aggressive, while OND, the country's official export credit agency, has sought a change in statutes to allow it to enter the

pan-European market.

Moving from a market which has previously been defined by national boundaries to one of free international competition is a complex process, however. Only in the UK are brokers really active. Elsewhere, it is difficult to break into markets where relationships between existing national agencies and their customers are deeply entrenched. Opportunities in Italy are even more limited because of the local practice of settling most trade accounts through the factoring market.

Industry executives say a

Industry executives say a large part of the restructuring so far in the European credit insurance industry has been consolidation along national lines. Thus Cofsee, which insures French

exports, is teaming up with SFAC, which insures domestic exports. Similar alliances are being formed elsewhere.

On the Continent, the industry's initial response has thus been defensive; involving a desire first and foremost to protect national markets from foreign competition, and blurring the previously sharp distinction between domestic and export credit insurance. Against this background, liberalisation in the UK looks likely to make it one of the first battlegrounds of international competition.

Not only does the presence of

Not only does the presence of an active brokerage industry make the UK more naturally open to competition their markets in continental Europe. Some specialists argue that the privatisation of ECGD will put it at a disadvantage compared to such companies as Hermes and NCM, which, though private, retain strong links with their respective

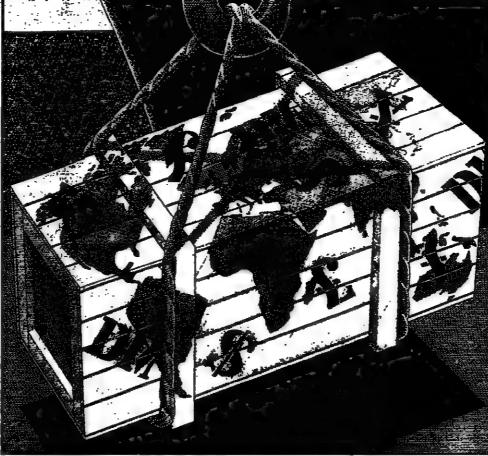
governments.

Trade Indemnity, which dominates the UK domestic credit insurance market, has made no secret of its inherest in acquiring ECGD. Mr Richard Duggan, managing director, says the companies together could generate the critical mass to take on the European market and finance the next generation of investment in information technology. The determined stand of Trade Indemnity has, however, resed questions. On the one hand the Government is reluctant to negotiate with a single favoured bidder following the storm this caused when it sold Rover to British Aerospace. It seems that the Government would prefer ECGD to be privatised as a result of a competitive bidding

Particularly in the insurance broking community, there is also concern about the effect of such a merger on competition in the credit insurance housery. Both ECGD and Trade indemnity offer credit insurance services to exporters, but this competition would disappear if they became one and the same company.

Eventually, many in the industry believe that the number of companies involved in the European market could dwindle as rationalisation takes hold. Among the more vulnerable are companies with small domestic markets. That explains why Hol-

land's NCM and the Belgian



companies are becoming so aggressive.
The old-established insurance

agencies from larger Community countries are volumable in a different way. While their job has been to service the needs of all their country's exporters, paying attention to the requirements of smaller farms, the bulk of their premium income still comes from a limited number of large firms. A foreign competitor which picked off even only a few of these favoured customers could leave the established agencies high and dry in their old traditional markets.

Quite apart from defending themselves against this tactic, one task facing the European industry in the face of these changes is to encourage the malest as a whole to grow. It has often been argued that the abolition of barriers to trade within the Community will encourage more trade to flow across national boundaries, raising the used for commercial risk insurance among new and inexperienced exporters.

essarily the ones which yield the presiest short-term profits. Many multinationals either do not insure their short-term exports, or use captive insurance companies. New transnational insurance companies in Europe are likely to set about trying to win business from such firms.

The ability to operate across borders will allow them to offer whole packages of domestic and

borders will allow them to offer whole packages of domestic and export credit insurance. The total European market in credit insurance could grow as a result. Meanwhile, uncertainty continues to dog the market for medium-term export finance. Not only are export credit agencies coming under increasing pressure to forgive some of the debts they were saddled with in the wake of the debt crisis. There are also new discussions in the Organisation for Economic Co-operation and Development about reducing the subsidies inherent in official export credit finance. And the European Commission authorities responsible for competition have begun an inquiry into the effect of export credit agencies in sub-

sidising large companies.

The effect of all these changes is likely to make export credit agencies less important in hinre as vehicles for supporting trade finance, some bankers argue. But there is widespread disagreement about their likely future role and the pattern could vary from country to country.

While Britain is poised to introduce tough new actuarial

IN THIS SURVEY

Export credit agencies: solution too grim to contemplate UK's Export Credits Guarantee Department: the logic of privatisation

Multilateral Investment Guarantee Agency: profile

Impact of the single market: catalyst for the short term
Factoring: importers see the light

Debt conversions: Chile gets it right

Tied aid: new drive on mixed credits
International Finance Corporation: profile

Advice for small exporters: reducing the risks

East-West trade: how to finance the deals

Counterfrades figure in doubt

Countertrade: future in doubt Forfalting: recovery may be on way

□ Illustration: Robin MacFarlan □ Editorial production: Gabriel Bournan

controls on the ECGD project group, which insures medium and long-term capital goods exports, Japan, Germany and France have been only too willing to restore export credit cover

one solution for banks operating in medium-term export credit has been to follow the market, and arrange credits in support of exports from countries whose credit agencies are the most liberal in providing cover. Mr Philip Hills, head of Midland Montagu Trade Finance, says that his bank is placing greater emphasis on continental European business.

mental European business.

The new network of industrial links which has sprung up in recent years in the world capital goods infustry is also encouraging this, he says. The alliance between GEC and Alsthom in power generation has introduced an important French link into

finance techniques.
Other bankers, such as Mr
Colin Berry of Morgan Grenfell,
say traditional bread-and-butter
export credits are now less
important Increasingly, a broad
range of financial engineering
techniques is coming into play,
in which the secret lies in respportioning the risk inherent in

Banque Parihas, for example, last year used long-term commodity swaps to help encourage banks into a \$210m loan it was arranging for a private sector Mexican copper company. The effect was to dilute the Mexican payments risk and make it more

scceptable.
Spreading the lending risk has also entailed a greater emphasis on the role of direct foreign investment, which is expected to play a key role in developing

Eastern European economies.

Hitherto low profile government agencies, such as OPIC, the US investment insurance agency, are being revitalised to cope with this. Companies wishing to establish a presence in markets with less than pristine credit standing are often having to take on a share of the risk.

This does not mean that export credit agencies no longer have a role to play. But their role is changing and they will become just one option among many for businesses needing trade finance.

Though Lloyd's, the private insurance market, has started offering banks medium-term policies which it, instead of its borrowers, can administer, the private market remains limited in scope and often cannot offer cover for more than three years.

Government export credit agencies, says one specialist, are in the business of undertaking large lumps of insurance in a small number of markets, without any recourse to reinsurance. This is something the private sector cannot do. There will still be a demand for such insurance, and most governments will continue to provide it, even if many have become more cautious in the wake of the debt crisis.

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# Midland Montagu Trade Finance

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co-funding scheme with the

World Bank. The Bank's Excel (Export Credit Enhanced Leverage) scheme will provide export credits at

Consensus rates for private

sector borrowers in highly

indebted countries, which

would previously have been

too great a risk for most agen-

cies to cover.
In the UK, the radical

restructuring of ECGD is

described elsewhere in this

survey. From June this year, its long-term Project Divi-

sion's Portfolio Management

System (PMS) will come into

arial techniques to calculate

the percentage risk of loss on a deal, and enable the agency to better balance its risk port-

This, of course, has

received a mixed reception from exporters: higher premiums, they argue, could damage their international com-

absence of an injection of

commercial realism into the

Project Division, some also realise they may one day be

without a guarantee scheme altogether, especially if the UK Treasury has its way. Regardless of the ad hoc

mix of measures taken so far, from attempts at fundamental

restructuring to limited write-offs and refinancings,

there are those pessimists (or realists?) who believe that the

problem will finally be solved

only by a massive inter-national write-off and refin-

ancing operation. Coupled to this, perhaps, would be an eventual end to officially-guaranteed export finance

and its replacement by a system of bilaterally and multi-

laterally-disbursed govern-ment aid on the one hand, and

commercial export finance.

guaranteed by private insur-ance on the other.

But even the thought of such fundamental changes

may be enough to cause gov-ernment ministers, civil ser-vants, commercial bankers and exporters nightmares for

a long time to come.

# A radical solution may be too grim to contemplate

announced a moratorium on its official debt, sparking the of sovereign debt still haunts the OECD export credit agen-

Most have chalked up losses from claims sufficient to cause the most poker-faced finance minister to blanch, and the full cost may not be known for several years. given the likelihood of continued rescheduling and unforecastable interest rate movements. That assumes, of course, that there is no mass write-off of debts - and it is a reasonable assumption.

The ECAs' problems derive from a complex amalgam of political and commercial facors. On the one hand, they followed, arguably with aban-don, the excesses of the commercial banks in the 1960s and 1970s. On the other, as the tool of government for-eign and trade policy, their incautious attitude is more explicable - not that that helps some of them in their relationships with their

The political implications of solutions involving write-offs and the withdrawal of cover are considerable for both goveroments and agencies. But the costs of the debt have risen so that some governments are signalling that they have reached the limit of their loss tolerance and want their agencies to operate on a more commercial basis.

The debate about ECA losses is bound closely to the general debate on the future of official export credit guarantees. Moves, particularly in Europe, to remove the task of export support from central government - as has been seen recently with the more profitable short-term diviions in France, Italy and the UK - have been caused not just by the debt crisis, but iso by the high cost of interest rate support (the differbanks between their costs of borrowing and the fixed rate costs of export credits). Measures taken so far to

limit further damage - such as the removal of cover and

ing debt to reduce interest rates, for example, through vehicles such as the UK's **Guaranteed Export Financing** Corporation - have only scratched the surface.

However, the most recent moves, in the form of debt write-offs by Italy and West Germany, for example, and large increases in loan loss provisions - to £4.18bn by the UK's Export Credits Guarantee Department (ECGD) and to \$4.8bn by the Export-Import Bank of the US (Eximbank) - have been taken as a sign that the problem is, at last, being addressed. But the write-offs have been small and rare, and Eximbank's pro-

visions, anyway, only on

the figure should be nearer

Provisioning is not, how-ever, widespread. Many of the encies – for example Italy's SACE, France's Coface and West Germany's Hermes still do not make provisions due largely to the nature of the agency/government rela-tionship. Hermes, for example, does not have to provi-sion, as its budget is met

directly from government funding. The Export-Import Bank of Japan (Jexim), Japan's official provider of export credits, is a different case again. Only about 10 per cent of Jexim business is accounted for by export credits; the bank's main role now is to disburse

Some governments are signalling that they have reached the limit of their loss tolerance and want their agencies to operate on a more commercial basis

paper, rather than a cash

Provisioning, however, is not a recognition on the part of the ECAs that their losses will not be recovered cially, they preserve the fic-tion that they will be repaid, but, according at least to Eximbank, so far in the future that the value will be severely impaired.

In contrast, the view that the losses are ultimately irrecoverable is being increasingly accepted by government auditors, as well as by com-mercial banks, which have increased their provisions to levels of 50 per cent and more. Canada's Export Devel-

opment Corporation (EDC) which, like Eximbank, is a financing institution as well as an insurer and like Eximbank believes - at least offi-cially - it will be repaid, is currently involved in a contre temps with the country's ter of loss provisions. The agency has set aside C\$375.9m for possible losses, or 40 per cent of the C\$936.9m it describes as "non-current" loans: the Auditor believes

about half the funds available under the trade surplus

recycling programme, the so-called Nakasone facility. The bank makes a profit on its total operations, and, despite general loss provi-sions of about 0.3 per cent of outstanding loans, has not had to make special provi-sions for trade loss, though it has its share of non-performing assets. But Jexim officials admit that soon even they may have to formulate some policy in response to the debt

The ECAs remain to a degree in the same old trap: that they must at least be seen to guarantee payment in as many markets as possible bence the apparent trend of the past year to return to cover on many markets -while still grappling with the residual problem of debt pro-

They have sought to limit individual exposure through joint funding and insurance - particularly popular with the Nordic agencies - and most recently, some have been making progress on a

YEAR from now, the Export Credits Guarantee Department is likely to have been transformed out of all recognition if the Government keeps to the schedule for privatising its short-term credit insurance business which it announced last December.

The plan, announced then by Mr Nicholas Ridley, Trade and Industry Secretary, calls for ECGD's short-term insurance division, based in Cardiff, to be vested as a separate government com-pany by April 1991. Privatisation is set to follow shortly thereafter.

Legislation to provide for thes changes does not need to be intro-duced till late this year, but already ECGD and its advisers, the merchant bank Samuel Mon-

tagu, are working on the details.

The decision to privatise ECGD's short-term business is a logical consequence of the open ing up of a European-wide credit insurance market in connection with the Community's 1992 single market development. ECGD's short-term business

saw its premiums rise by some 11 per cent to roughly £13.20n in the year to last April, the industry estimates. Though it will be several menths before audited figures are available, premium income is thought to have risen by around 7 per cent to roughly £73m.
With this volume, it is generally

accepted that the short-term business can stand on its own feet. But, to reap the full benefits of its investment in information technology and to reach the critical mass needed to prosper in the more competitive market conditions likely in Europe after 1992, ECGD needed to diversify out of its narrow traditional business of insuring only British exports.

Without access to a broader market, ECGD would be unable to compete on equal terms with other European insurance compaorner European insurance compa-nies, which are already starting to poach its UK business. That meant, however, that it could no longer remain simply a depart-ment of government dedicated to the support of British exports. Legislation converting its insurance services division into a sepa-rate company was needed to allow it to enter business both in Europe and on the domestic UK market. Privatisation was the

Already both Trade Indemnity, the largest operator in the domes-tic credit insurance market, and Sun Alliance have publicly expressed an interest in buying the business. Privately, UK and European companies involved in insurance, financial services and exporting have also shown interest, either individually or as part of a potential consentium. of a potential consortium.
Yet the Government is still

some way from deciding the pre-cise route through which ECGD will be privatised. No decision has The writer is assistant editor International Trade Finance

**BRITAIN'S ECGD** 

# The logic of privatisation

sale" with competitive bidding from companies or consortia. What is already clear is that two possible routes are unlikely.

One would be a conventional management buy-out, which is thought to be inappropriate for an insurance company because it would almost certainly involve very high gearing. This does not, however, preclude ECGD's man-agement being involved in the

process as part of a consortium.

The other unlikely routs would involve the selection by the Gov-

yet been made on whether this judged not only on the price they will happen through a stock market flotation or a so-called "trade the quality of their proposals. Because some bidders under

this approach would also be in the credit insurance industry, ECGD and its advisers will have to look at the competition policy implications. They are likely to remain in close touch with the Office of Fair Trading throughout the process. A merger of Trade indemnity

and ECGD's insurance group, for example, would dominate the UK market for credit insurance (though the merged company would still face competition in Europe). One way of mitigating

	_		
TRADING ACCOUNT for the year ended March 31 1989			
	1986-89 £m	1947-48 £m	
Premium Income Movement on provisions for claims Administration and trading expenses	191.1 (769.5) (49.2)	140.6 (212.6) (46.5)	
Underwriting result Net Interest	(627.5) 107.9	(118.5) 121.0	
Result before currency movements Foreign exchange adjustment	(519.7) 78.8	2.5 (88.3)	
Deficit for the year	(440.9)	(85.8)	
Cumulative deficit brought forward	(251.7)	(105.9)	
Cumulative deficit carried forward	(692.6)	(251.7)	
		Source: ECGD	

negotiating partner. Such an approach is seen as likely to yield poor value for money especially after the difficulties encountered by the Government in the wake of its sale of the Rover Group to

British Aerospece.

By the standards of such privantions as British Steel and Britiish Airways, where a stock mar-ket flotation was an obvious solution, ECGD is relatively small. It is also a highly specialised busi-ness which few investors find easy to understand, and one which relies on public perception of high quality shareholder back-ing in order to survive. Expecta-tions in the industry therefore are

that the Governme ally opt for a trade sale approach. This would involve the Depart ment of Trade and industry in selecting a list of pre-qualified bidders who would then compete for the right to purchase the business. Bearing in mind that one objective of the exercise is to help that dominance suggested by some analysts would be for the consortium of insurance companies that owns Trade Indemnity to bid separately for ECCD and keep the two entities apart, at least initially.

Trade Indemnity itself argues

that there will still be competition at the European level as well as from European companies operating in the UK. Mr Richard Dug gan, his managing director, says that if Trade Indemnity did buy ECGD's Cardiff division, it would want to run it together with its own operations. Otherwise, there would be no benefit from economies of scale. Even when the decision on how

Evan when the decision on how to proceed is taken, some technical points — each affecting the price which the ECCED will fetch — remain to be resolved. Until then, nobody concerned is yet prepared even to indicate wisat the sale is likely to fetch. Among the technical problems are:

• whether the privatised company should retain on its books short-term debt which has been

rescheduled. particularly by Nigeria where unrecovered ching could amount to around sitter.

• how far it will release its business. The Government has promised a reinsurance link for political risk for the first time years. Thereafter, it will be up to the privatised company to make its own arrangements. This base question will bear strongly on its capital structure and its need to build up reserves;

build up reserves; how to split the support services in areas like computing which currently back up both the short-term insurance division and ECGD's project group, which insures long-term credit for capital goods expurts and is to remain a government department;

the transfer of civil servants in the private sector. This is not as simple as it seems and involves some decisions that could affect the price the Government receives. One concerns the one tion of who will be responsible in funding the index-linked persons to which officials in government

service are entitled. Assuming that a trade sale turns out to be the preferred approach, Samuel Montagu is expected to prepare an information memorandum dealing with these questions by the early autumn. This will flush out hit ders genuinely interested in him. ing the company.

One of the most intriguing questions is how the Government would deal with any foreign bli-ders. According to some expert, this poses a particular reinsurance problem. The UK would be rehr-tant to let a foreign company avail risk reinsurance facility during state transition period. Equally, the British exporters might feel them. selves at a disadvantage if they were obliged to seek insurance from a European company that traditionally reinsured political

risk with its own government. This would be the case if ECGD were bought by a European agency such as NCM of Holland or Hermes of West Germany, 1878 Both companies have been 1877 rumoured bidders, though they

deny any current interest.

Mr Nigel Bovingdon, managing director of the Credit Insurance Association brokerage house, all says: "I see the potential for a good conflict of interests unless, of course, an insurance company such as Allianz takes the reissurance and the British Go. ance problem off the British Gov. ernment's hands."

Other experts are more amguine about reinsurance, which they consider a technical problem. The real test will be to assess whether British would be happy with the final buyer. This, as much as price, will be a major factor in the ultimate decision.

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# Nancy Dunne profiles the Multilateral Investment Guarantee Agency

# Easing the path to investment

MIGA, the Multilateral Investment grammes and institutions which promote Guarantee Agency, was first conceived 42 years ago within the World Bank group. But it took the 1980s debt crisis, the virtual full stop in commercial bank lending, stagnation in the Third World economies and the Research ence to the private sector's role in development to bring the agency into existence.

With its 40-member workforce serving 88 countries, the agency is still a tiny new-comer to the World Bank group. Established in April 1988, Miga set out to promote foreign investment - supplementing national investment guarantee schemes and private political risk insurers - with two briefs in hand:

to provide guarantees against currency transfer, expropriation, war, revolution or civil disturbance and breach of contract

 to offer advisory services to developing members on means of improving their foreign investment climates.

Thus far, the Foreign Investment Advi-

sory Service, which got a head-start 4½ years ago as a creation of the World Bank's International Finance Corporation, has had more takers than the guarantee Now a joint venture between Miga and the IFC, FIAS is active this year in 25 countries, where it assists governments to develop investment laws, policies and pro-

giving regular

COUNTRY RISK SET

and regulate foreign investment.

Miga's advisers have held large promotion seminars, studied impediments to

investment, and assisted in restructuring specific projects. FIAS helped China, its first client, draft its joint venture laws and last year was called in again to grapple with a foreign exchange problem.

With its insistence that joint ventures

with foreigners earn all the foreign exchanged needed, China had been having exchanged needed, China had been having difficulty attracting high technology foreign investment. This was particularly onerous for high tech projects which generally are slow to yield exports.

Under FIAS guidance, China agreed to establish an integrated national secondary moving the foreign contacts.

market in foreign exchange, allowing ven-tures to buy the exchange it needs at real market value. Indonesia was set to work on a new

mechanism to make land available for plantation agriculture; Togo is creating an investment regime with free trade zones.

Mr Ghassan El-Rifal, vice-president responsible for advisory services, expressed satisfaction with the diversified group of FIAS clients, ranging from Yemen, Egypt and Saudi Arabia to Chile, Senegal and Ghana. Missing from the line-up, however, are the big three of Letin America: Mexico, Brazil and Argentina.

Mr El-Rifal holds out hope that Argantina will join up, bringing in Brazil, but he says the three Latin governments are reluctant to accept the idea of any international arbitration over disputes arising in their countries, a Miga requirement.

only - completed investment insurance underwriting in January when it signed a underwriting in January when it signed a \$50m contract for Freeport McRoRan Copper, a US firm, against war and breach of contract risks in Indonesia. Applications for guarantees in projects in 32 countries have been received, but two other major proposals — one in Eastern Europe and a Canadian mining project in Chile — are expected to reach fruition in this fiscal year, ending June 30.\*

The agency will insure up to 90 per cent of an investment up to the current limit of

of an investment up to the current limit of of an investment up to the current limit of \$50m a project. In these early years, officials expect to lavarage subscribed capital now at \$760m - to about \$10m. However, Mr Leigh Hollywood, vice-president, guarantees, expects the lavarage ratio to reach 3-1 in five years.

"Additionality" has become the operative term at Miga, where guarantees can be written only for new projects or expansions of existing ones. While emphasising investment in the developing countries, the agency is also encouraging investment

the agency is also encouraging inves

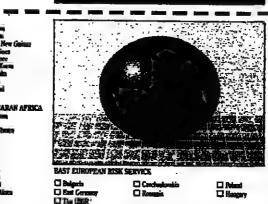
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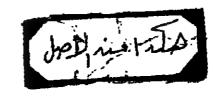


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The Economist Intelligence Unit





Credit & Investment Insurers,

usually known as the Berne

Union. "From 1992 there is a general expectation, if not pre-

sumption, that state credit insurers should play no part in intra-EC trade and short-term

Much of the risk in EC mar-

kets is corporate, rather than

the sovereign borrowing on which export credit activity is

focused outside the OECD

area. As governments question whether it is their role to

insure corporate risk, they are

aligning themselves to differentiate more sharply between the short-term corporate risk prevalent in EC operations and

the medium/long-term support needed elsewhere. In some cases, like Belgium's Office National du Ducroire,

this is apparently to be limited

to setting up a separate auton-omous division to handle short-term cover. In its most

radical form, total privatisa-

tion is envisaged - a process

led by the ECGD, whose Car-diff-based Insurance Services Division is to be privatised.

But the ECGD medium/long-

term operations will stay under state control in London.

Also helping to shape the market in the run-up to 1982 are private insurers who want a "level playing-field" to compete with the new-look state

export credit agencies (ECAs)

finance.

# DEBT CONVERSIONS

# Chile gets it right

USE of debt-equity sions to encourage for-westment has been used widely in Chile probably anywhere else in the

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ically, the success of its quity programme has played a significant n lowering its external nd some role in encourinward investment eant that it has almost course. The programme relped to reduce the 1 to \$5bn since its launch And much of the \$5bn lium and long-term deb ommercial banks cannot

way Chile has organise gramme suggests that onetary creation resultm debt-equity swaps can naged to avoid inflation. hough inflation is rising artly a consequence of a ction boom, the country as the lowest rate in

ever, as Mexican offixplaining their opposidebt-equity swaps point en if the menetary crecan be neutralised th the sale of govern-paper - this elevates t rates. That potentially here there are privatisa-when the monetary n is offset by a shift of from the public to the sector – is there gen-agreement that debtconversions are not

is context, the governof Brazil and Argentina America's largest and argest foreign debtors, extensively in their blg sation programmes.

reason many distike for foreign investors. programmes in effect h a two-tier exchange ften criticised by the tional Monetary Fund. debt-equity conversions ise investment that have occurred anyway. question is particularly

t in the case of debt-e swaps. Few of these ing actively pursued, sh one of the most is Peru's. That is sursince Peru has not been hase Manhattan, for a said it completed 40 r-trade swaps in Peru Chicago ged some 20m in completed 40

> ge for textiles, beer, vegetables, frozen fish, 's International Trade newsletter. of these operations are all amounts and often the combination of e goods - copper, fish-with others that are

the swap of one of its

lebt and some cash in

benefits - the saving on a further emphasized the impor country's debt servicing bill.
The danger is therefore greater that the debt-for-goods swap unless it is accompanied by some cash payment — deprives the country of hard cash with-out any offsetting benefit. The use by Chile of debt con-

It may be that governments become worried as time goes

on about increased dividend

repatriations. But the payment of dividends, unlike debt inter-

est payments, at least implies

Debt-equity conversions will

receive most attention in coun-

tries where the price of the

debt has fallen to a discount in

the secondary market. The less

the discount, the smaller the

potential advantage to the

ecipient country and the

In East Europe, that suggests that for now at least that Poland – with the 85 per cent

discount to face value on its debt - could be the centre of

most such activity if a suitable

programme is set up. The debt of Bulgaria and Hungary also trades at a discount, but a

much shallower one than

However, it is too early to see widespread use of the concept. The problem for many considering any equity investment at this stage is the lack of a legal and accounting framework that recognises property rights and can provide for bankruntey.

Poland's.

versions in project finance has been more sophisticated, however. For example, a \$570m cellulose and paper venture, called Celulosa del Pacifico,

That suggests Poland could be the centre of debt-equity activity

provides an example of how debt conversions can be used to encourage other inward investment flows. The venture is a joint effort

between Simpsons Paper, a pri-vately-held US company based in Seattle; CMPC, the Chilean pulp and paper concern; and the International Financial Corporation, which has been instrumental in putting together a number of such fin-

The capital for this has been put together like this: Bequity - \$60m provided by CMPC, \$60m by Simpsons through a debt-equity swap and \$10m from the IFC.

• Cumulative preferred shares – a syndicate of six banks provided \$225m of finance through converting of foreign debt. This will initially be in the form of a fixed-rate note for the 30-month construc-tion period. This will then con-vert into preferred shares pay-ing dividends related to the international price of pulp. This was the largest such con-version in Chile and one of the largest ever effected in Latin America.

● Senior debt - \$217m of

funds provided by senior lenders, including the IFC, development and export agencies in several countries and commerciel banks.

The exercise, which would reduce Chile's foreign debt by about \$350m, also provides it with an export-oriented paper project and significant inward investment.

One argument against the use of debt conversions is that they encourage foreign inves-tors to postpone investment decisions until a suitable subsidy arrives, The Chilean experience suggests otherwise. As the Celulosa del Pacifico deal was being put together, so was a \$600m financing package for another export-oriented pulp

debt-equity component.

The potential importance of debt-equity conversions from the point of view of capital-im-porting countries has been heightened by the drying up of balance of payments lending by banks to developing countries. This has increased the emphasis in many countries on putting in place conditions that suit foreign investors. The Brady initiative to lower the debt burdens of highly-indebted developing countries

# rketable. However, the waps in this way for a not servicing its debt

**FACTORING** 

# xporters see the light

NG IS beginning to gain e as a means of financnational trade. It has ard struggle to become d in the face of competisport finance but the g use of factoring in sales has given a boost

orldwide volume of toring rose by 22 per s Chain International, main international facanisations. This coman 18 per cent rise in vide volume of domestic o \$179.2bm

toring of exports.

exporters are the most ic users of export factor-ng out business worth it year, followed by the nans with \$2.15bn, the th \$1.03bm and the Brit-

JK increasing competi-area of domestic factor-ing a number of factors broadening the range they offer. Several plan into export factoring. dit agencies are also greater interest with mnity, the British priinsurer, taking a 50 ake in H&H Factors.

factoring works in a r way to the domestic s a method of financing invoices issued to cusclosely monitoring a sales ledger the factor ice funds against an ch a bank manager

ider too risky. or provides three serstly, he can provide cash up to 85 per cent c of his client's invoices with the other 15 per cent -minus the see and interest charge - paid usually when the cus tomer settles his bill. This mean the client need not wait for his customers to settle their bills so he has the money to finance work

Secondly, if required, the factor will take over administration of his client's sales ledger, sending out invoices and making sure that hills are paid. Finally, and of great importance in export finance, the factor can assess credit risks and insure clients against the possibility of bad debts.

The cost of these services is likely to be between 0.5 and 3 per cent of the value of invoices for the administration of the sales ledger while cash advances would carry an interest rate of between 1.5 and 3 per cent above bank

In a domestic factoring contract the factor will provide all the ser-vices required bimself. Export factoring requires the exporter's factoring company to forge links with a factor in the country for which the goods are destined. It is the local factor's job to investigate the credit rating of the customer, to take payment and to transfer the funds back to the exporter.

exporter to deal on open account terms with his customers abroad. He can offer the terms of trade that the customer expects from domestic suppliers and the cus tomer is spared the need to deal with bills of exchange or letters of credit. The factor can also ease the difficulties of dealing in a for-eign language and with unfamil-iar local customs and laws.

THE PLANNED European Jon Marks on the impact of the single market Single Market of 1992 has be "a catalyst for very radical changes," says Mr Malcolm Stephens, chief executive of

### Catalyst for the short term the Export Credits Guarantee Department and president of the International Union of

The EC's single market implies a radical breaking down of national monopolies in all sectors, export insurance included. For some companies this will happen following the July 1990 directive, although officials say they expect only minor consequences for export finance in Italy, West Germany and other EC member states in which only limited amounts of intra-EC trade are financed by state ECAs. About 50 per cent of the ECGD's short-term business is within the EC, however and Coface, the French insurer, also has significant short-term business, with Italy and West Germany its leading

clients for short-term cover. However, in the run-up to 1992 - and the July 1990 directive on insurance markets -there are conflicting signs. While several agencies have announced plans to reduce short-term commitments and to privatise sectors of their business, there are also reports that such major players as Coface, West Germany's Hermes and the Netherlands' NCM are exploring new markets such as UK corporates to widen the scope of their underwriting operations.

Hermes and NCM are national ECAs but with private



prompt them to take a more aggressive role in future as they seek to widen their portfolios. Even before the July 1990 directive, these agencies are understood to have approached leading UK companies to dis-

The privatisation of state gencies and the realignment of private insurers in the run-up to 1992 raises the prospect of a significant increase in cross-border holdings in the export insurance sector.

foreign buyers. After collapsing in 1985, it was sold in 1989 to Assurance Generale de France, a mainly state-owned French company with holdings in Coface and Banque Francaise du Commerce Exterieur.

The single market also involves a harmonisation of iness norms and procedures which will not leave the medium/long-term export credit market untouched. European ECAs have developed in their own ways and have distinctive corporate cultures which would not easily come together, as some of the radical European unionists want, into

a single EC agency. In the build-up to 1992 several major questions remain to be answered. What is clear though, is that for many ECAs, and not just ECGD, the time has come to make the most significant decisions on their

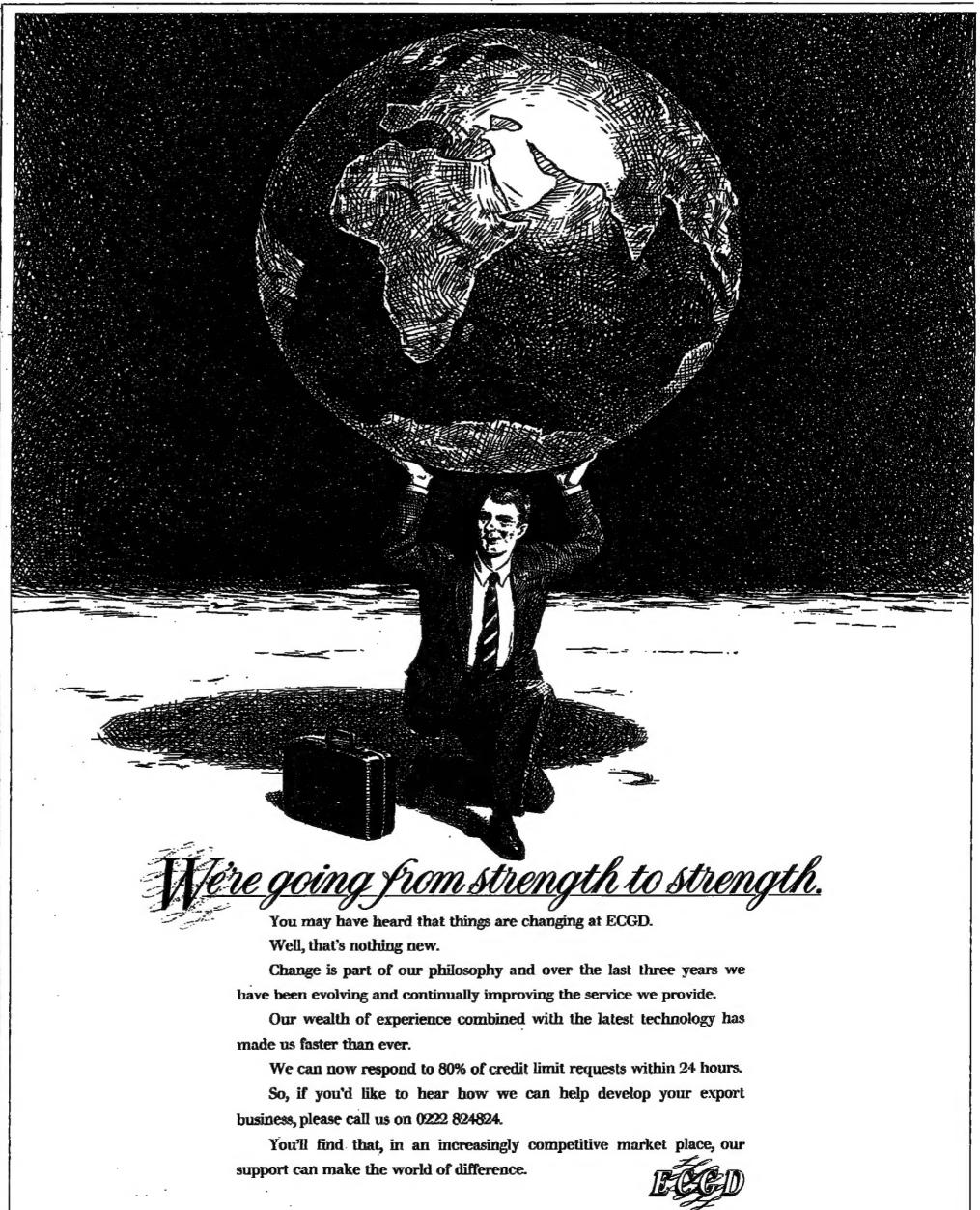
For example, Italy's SACE, for long a by-word for state control over the export insurance market, is the subject of a major reassessment. Earlier this year it announced that it would pass its short-term insurance responsibilities over to Societa Italiana Assicurazione Crediti (SIAC), a private insurer. So far, this is just a

still under way into various options for the SACE/SIAC tie-up, which include SACE retaining its full commercial risk portfolio as well as SIAC taking over the management of EC short-term risk.

is unlikely that any decision will be taken this year, and perhaps not until the advent of

the single market itself. Similar moves are afoot in Portugal, and in Spain where de Credito a la Exportacion (CESCE) is to lose its monop oly of credit insurance even before a new export insurance law is introduced this summer. But it is likely that CESCE will be able to compete with private

it was previously excluded. In France Coface looks set to remain a major tool of governscas markets. However, even Coface is evolving to meet the demands of change in Europe.
In January, Coface stopped receiving commercial and political risk guarantees from the Government to support French exporters selling to clients in the EC. This means a further impetus for French exporters to use private insur-



CHANGES TO the international

rules governing export credits and tied aid, now under discus-

sion in the Organisation for Eco-

nomic Co-operation and Devel-opment, could dramatically alter the framework under which commercial banks now arrange

long-term export credit finance

The changes are expected to lead to a fresh package of rules around a year from now, but

already the likely outlines are

They are expected to include

fresh restraints on the practice,

prevalent in some industrial

countries, of sweetening export credits with aid money to make

them more attractive to borrow-

ers, and further cutbacks on the

routine interest rate subsidies

which may be paid to middle income and poor developing

The talks were launched fol-

lowing the OECD ministerial

meeting last year after pressure from the US and Canada. Both

countries were worried that pre-

vious attempts to curb mixed credits had falled.

However, it is in the tradi-tions of the OECD consensus on export credits that negotiations

to correct such a specific prob-lem will inevitably involve a

fresh look at the entire spec-trum of rules in this area. This

has raised the possibility of cuts in the separate interest rate subsidies which may be applied to export credits. Such cuts

would pose a new challenge for the commercial banking indus-

try in its efforts to make cheap

finance available in support of

Though the final outcome of the OECD talks is still unclear, many bankers believe it is likely to lead to the elimination of routine interest rate subsides to

middle income countries and a

severe cutback on those avail-able to poorest countries. In

most cases, officially-backed fixed rate finance would be per-

mitted only at market rates of interest as defined by the OECD

through its Commercial Interest

Reference Rate formula, which

is linked to government bond

countries

for their customers.

# Umbrella of protection

developing country projects now approaching \$2bn a year, the International Finance Corporation is becoming a significant player in project finance.

An arm of the World Bank that as relatively little-known before the debt crisis cut off other sources of funds, the IFC is devoted to financing private sector nterprise. As such, its philosophy is in tune with the emphasis now being placed on private sector funding and ownership for projects in many parts of the world.

"Latin America is full of very clever businessmen who have

some very good projects," says Mr Francis Hamilton, IFC's manager in charge of loan syndications. Its connection with the World Bank means that the IFC can

finance some of these projects even though other lenders or investors might look askance because of the country risk. Unlike commercial banks, it also regularly offers equity and fixed The IFC is allowed to finance

only 25 per cent of the total costs of any given project and normally makes its contributions in a combination of equity and loan finance. But to add to its leverage, it also syndicates loans with the international commercial banking

In its last financial year (to June 1989), its net investments in projects were \$1.3bn, but it aug-mented this through loan syndications, making a total gross com-mitment of \$1.7bn that went to

The IFC is able to persuade other banks to subscribe to its project loans because, as a mem-ber of the World Bank group, it does not reschedule debts. It thus provides its fellow lenders with an umbrella of protection against country risk, enabling them to lend in parts of the world that would otherwise be out of bounds, Both the banks and the IFC do

on the project turning out to be successful. If it fails, they will lose

Because of this, the IFC undertakes a rigorous appraisal of projects with which it becomes involved. Its board can take a long time to approve a project. This can irritate commercial bankers who are used to quick decisions. being too bureaucratic.

However, the advantage that it brings to the table is security against rescheduling. Recognising this, the Bank of England and the French banking authorities have recently agreed to exempt loans in which the IFC is a participant from the compulsory loan-loss provision requirements normally applied to developing country

This should encourage participations by banks from countries which had tended to look askance at this business. Others, including Luxembourg through which German banks channel international man banks channel international business, the Netherlands, Aus-tria, Sweden, Denmark and Nor-way also exempt IFC-related loans from provisions as, in effect, does Japan. US banks, which have shied away from cross-border are still reluctant participants

help bring official export credit agencies into a project, although its relationship with these institu-tions is rather more complicated than that with commercial banks. While export credit agencies normally expect to deal with govern-ments, the IFC is not permitted to. The agencies also find themselves caught up in debt reschedulings.

which the IFC does not.

The IFC and commercial bank are normally put together as one package in which all lenders enjoy equal rights, but the contribution guaranteed by export credit agen-cies therefore has to be assembled into a Paris Club rescheduling, they cannot come under the IFC, one under our umbrella were ever rescheduled, it would be disas-

trous," says Mr Hamilton. The UFC expects its business to grow by only some 10 per cent in the current year, he adds, after a period of much more rapid growth. This partly reflects growing constraints on its financial ratios which are set conservatively to help preserve the organi-sation's triple "A" credit-rating in the international capital markets.

Discussions have, however, already started about a capital increase which will help pave the way for an expansion into Eastern Europe where the IFC expects to play a significant developm The capital was last sed in 1985, when it was doubled to \$1.3bn.

The IFC was one of the early lenders to Poland in the wake of its economic and political reforms, starting with a DM29m loan to Hortex, the agriculture co-operative, in 1988, it is also active in Yugoslavia and Hungary and Turkey to street husback in Tul expects to start business in Bul-garia and Czechoslovakia when these countries join the institution later in the year. Romania, a member of the World Bank, is not a member of the IFC and there-fore not eligible to borrow.

Apart from providing an opportunity to develop new business for the IFC, the reforms in Eastern Europe will also help the institu-tion diversity after a period in which much of its funding has been directed to Latin America. Without a capital increase, how-ever, the risk is that it will be able to finance extra projects in East-ern Europe only by diverting funds that would otherwise have

Peter Montagnon looks at the international rules on tied aid

# New drive on mixed credits

round of changes agreed in 1987.
There is some disagreement in the banking industry over the potential impact of further

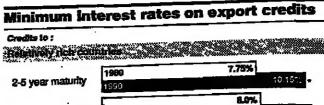
imits to subsidies. Some bankers argue that new techniques in financial engineering such as interest rate swaps have already made subsidised export credits not as attractive as they used to be. Export credits come with restrictions on maturity for example, that have made them less appealing to countries which can borrow freely in international capital markets. It is also harder to use them on the growing number of projects where contractors and lenders are expected to take a

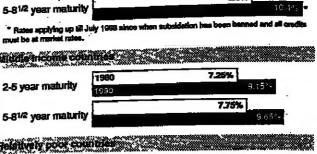
degree of commercial risk. Others say that they will need to sharpen their skills in finan-cial engineering to compensate for the loss of subsidy. The perceived role of export credit agencies might also change. The UK, for example, has long argued that the maturity limits on conventional export credits, which run up normally only to 10 years in the case of the poo-rest countries, should be

If borrowers are paying marthe trates of interest, they should be allowed to take longer matu-rities, especially if they are using the funds to finance a project that, in the industrial world, would automatically be financed over a longer period, British officials argue.

It remains to be seen whether the UK will win its argument the UK will win its argument over this point. US officials say they are willing to consider permitting longer maturities but only if they are not artificially long. It has itself proposed raising the special maturity limit on loans to finance aircraft from 12 to 18 years.

By contrast, countries whose offer very long-term funding





tend to oppose the idea, but if it did catch on, the role of the export credit agencies might become much more concerned with extending the maturity of available credit than simply reducing current servicing

5-81/2 year maturity

Meanwhile, the latest talks have been complicated by a US proposal that tied aid credits should be banned altogether on projects relating to certain spe-

The most frequently cited of these is telecommunications. The World Bank routinely lends for telecommunications development. This is seen as important for poorer countries if they want to link into the global market, attract foreign investment and exploit the natural advantage many of them enjoy in data pro-cessing. Yet, though it considers that this is an argument for making untied aid available, the US argues that the use of tied aid credits in telecommunica tions permits countries with

sectors which they regard as having been "spoiled" for com-petition by tied aid. These include transport, power gener-ation and parts of the construc-tion industry. It also wants to ban tied aid credits in the steel plant sector because there is a world over-capacity in steel and there is no point in subsidising the creation of additional plant.

7,25%

7.5%

However, the European Community's reply to the US sec-toral approach was that the EC would also need to include the farm export credits provided by the US Commodity Credit Corporation and which are a staple part of its agricultural export

This caused an impasse, lasting several months, in the talks. The US declined to discuss such a politically sensitive subject in the OECD consensus while broader talks on cutting farm subsidies were also going on in the Uruguay Round of the Gen-eral Agreement on Tariffs and eral Agreement on Tariffs and Trade. The EC said that, if the US insisted on setting the da, there was no point in

The impasse was broken in March only when the US appear march only want to agree to "examine" farm credits by not negotiate, but the Committy remains reluctant to be more than examine the sectoral proposals of the US.

Quite how this problem will finally be resolved remains to h seen, but much will depend on the final outcome of the Unguay Round talks on agricul ture. A strong Gatt agreement to cut farm export subsidie might make the US more will ing to bend in the OECD expert credit talks. This in turn might lead other countries to agree to specific disciplines in other sectors such as telecon

The one thing which is clear is that there will be no further recourse to the mechanism used in the last package on cutting mixed credits, which was agreed in 1987. This specified that ted aid credits should have a minimum grant element of at least 35 per cent to make them more expensive and force governments to cut back on them.

Though the OECD has only very limited figures to hand, the

general view is that this had almost no effect. Offers of mixed credits rose sharply following the agreement and are still run-ning nearly 10 per cent higher than before it was struck Aid experts say that the aid flows have been diverted away from the very poorest countries towards middle income coun tries to satisfy the new, more demanding ratios agreed in 1987, Among other solutions that have been proposed is one which would limit the proportion of a country's overall but get that could be spent on tied aid and graduating some middle income countries out of the group which is eligible for the

Worried about the risk that tied aid credits might spread to the reforming markets of Eastern Europe, the US is likely to insist, however, that any fina agreement is tough. The prob lem with the other proposal that have been made, its off cials say, is that they simply onot go far enough.

### ets to buy the market, According to US officials, sim-ilar arguments apply in other WITH OUR NEW TRADE DEVELOPMENT SERVICE, Charles Batchelor's advice for small exporters YOU CAN RIP THIS UP.

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SHAW Moisture Meters, a Bradford-based supplier of equip-ment for measuring moisture in gases, has been considering an impovative way of increasing its exports to the Soviet Union. Faced with Soviet shortages of

Faced with Soviet shortages of hard currency, Mr David Parker, Shaw's managing director, has weighed up the possibility of selling through his agent in India. The Soviets would pay for the equipment in rupees — of which they have no shortage — while the Indian agent would in turn

Shaw may be unusual among small companies - it has sales of £3m and a workforce of £4 in being prepared to go to these lengths to gain export orders, but winning and getting paid for foreign orders can often require a degree of ingenuity. One small British supplier of food process-ing and freezing systems has in the past turned to an Austrian bank to finance sales to Eastern Europe when British bankers were reluctant to provide the necessary credits.

The opening up of Eastern Europe may provide new business opportunities for Western companies but at the same time companies but at the same time it will place extra demands on their finances and their export administration systems. Obtain-ing prompt payment from coun-tries which are still struggling to shake off the effects of 45 years of centralised bureaucracies is

of centrained bureautracies is bound to bring its problems. At the same time, increasing trade between the members of the European Community as the single European market is estab-lished over the next few years will bring with it the need to manage a greater volume of

Pressure may be growing for Britain to join the European Monetary System but for the foreseeable future businessmen foreseeable future businessmen will be forced to take account of volatile foreign exchange rates. Managing currency fluctuations is difficult enough for large expe-rienced exporters — large Stock Exchange-listed companies frequently report annual currency losses running into many mil-lions of pounds – and is even more of a headache for the smaller exporter. Price lists denominated in ster-

ling have been the answer in the past but exporters are increas-ingly realising that to compete they must quote for business in their prospective customer's cur-rency. There are several ways of protecting against the risks

Currency accounts. An exporter who buys and sells in the same foreign currency can reduce his exposure to fluctuations by opening a bank account in that currency. Sales can be netted off against purchases, leaving only the balance at risk of adverse currency triovements.

| Forward exchange contracts allow an exporter to fix the rate at which future payments in foreign currency will be converted are relatively simple to arrange, though a drawback is that the exporter is committed to supply-ing the currency agreed to the bank. If the export deal is cancelled for any reason, the exporter will have to buy the

Risks can be reduced

at the going rate. Currency options. These con-fer the right - but not the obil-gation - to buy or sell the currency required at a pre-determined rate. Since there option, the exporter may let it lapse if the deal does not go through or currency rates have moved to allow him to buy or

foreign currency in the market

moved to allow him to buy or sell the currency more cheaply on the spot market.

Foreign currency transactions have proved to be an extremely incrative area for the banks which have been accused by some critics of making excessive charges in this area. Banks typi-cally charge a 1 per cent fee for exchanging amounts of up to \$10,000 but only 0.1 per cent on larger sums.

larger sums.

Foreign currency cover is a complex area but new exporters are advised to seek competing quotes for deals and to consider using one of the small number of independent foreign exchanges. independent foreign exchange consultancies which have spring up in recent years. Many businessmen consider

Many businessmen consider that they have completed their work when an order has been signed and the goods shipped. Obtaining payment for the goods is regarded by many as formality. In reality, they should be devoting a great deal of attention to ensuring that they get paid. Overseas buyers may expect even more time to pay than domestic customers though this is not invariably the case. Some exporters report a better payment record from customers in, say, West Germany than they experience with UK customers though other countries, Italy among them, have poorer paymont. among them, have poorer pay-ment records.

prompt in making payment the melliciencies of the transfer sytem can lead to long delays. These can be avoided by arranging for foreign customers to us Swift (the Society for Worldwise Interbank Financial Telecommunications) to make payments Transfers are made by compute or telex, reducing the waiting time for the cash to reach th and 72 hours. Swift transfer must be arranged in advance reaches the right account at the

right branch.

Exporters have a wide range of possible payment methods at their disposal. They may ask in payment in advance from unitary customers like to pay with m guarantee of delivery.

Documentary letters of creat represent a reasonably secure

method of arranging payment but great care must be taken to ke sure the information of the letter of credit matches inst on invoices or other documents One recent survey showed 60 per cent of letters of credit were returned by banks when first presented because of apparent

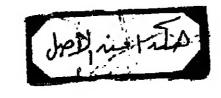
Bills of exchange are similar in principle to a post-dated in principle to a post-cause cheque and are less secure than letters of credit. Open account terms may be used with trusted customers who can be expected to pay by the agreed date. Factoring (see separate article) govides another method of both securing parameter and handing a securing payment and handing s lot of the tiresome detail over to

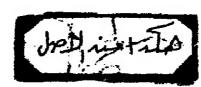
Dealing with the paperwork involved in exports is a chart but it is one which needs to be done with care if problems are to be avoided.

Useful reading: Successful Expertition Small Businesses by David Royal (Letts and The Royal Bank of Sodiest 14.95). The Barolays Guide to interestional Trade for the Small Business by John Wilson (Blackwell, 25.95).

### FINANCIAL TIMES 1990 REMITED SURVEYS EASTERN EUROPE IN FERMENT THE NORDIC REGIONS & 1992 SOVIET UNION March 12 FOREIGN EXCHANGE TAIWAN'S ECONOMY OPENING TO THE WORLD US FINANCE & INVESTMENT REDRAWING THE MAP OF EUROPE SETTLEMENTS & GLOBAL CUSTODY September ITALIAN INDUSTRY October JAPANESE INDUSTRY December YUGOSLAVIAN TRADE & INDUSTRY December

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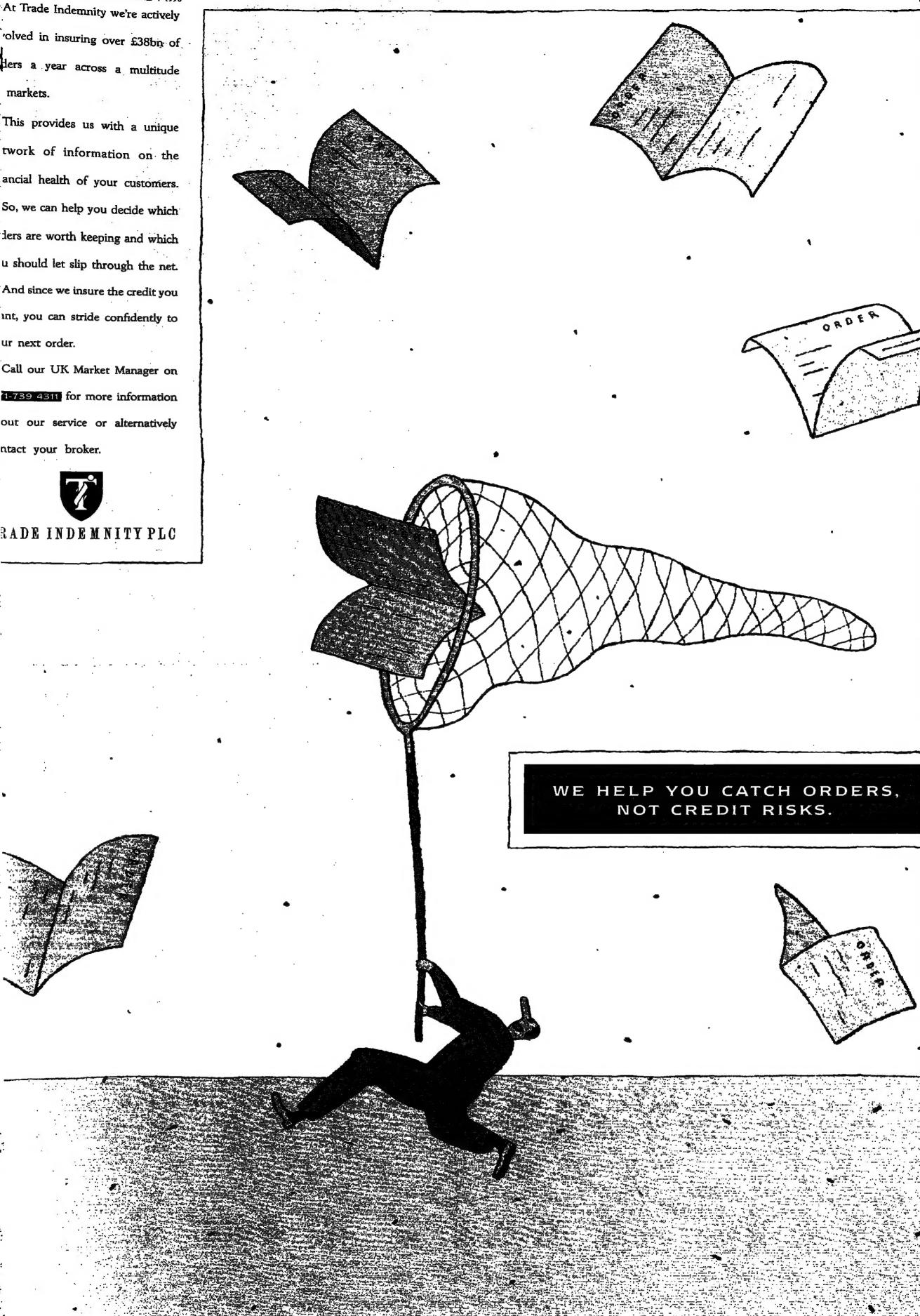
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# How to finance the deals

AS THE political barriers between East and West Europe have faded, the invisible barriers - mainly in the form of con-convertible currencies - have become more prominent. Trade between the two halves of Europe is set to increase dramat ically in the closing years of this century, but doing business in the region will be fraught with

Before the political upheavals of 1989, trading with East Europe was restricted, although some changes had occurred. The twin problems of foreign exchange shortages and non-convertible currencies inhibited trade which, until recently, was conducted as a state monopoly in almost every

country in the region.

Foreign trade liberalisation, while creating business opportunities, has also caused new head-aches for Western businessmen. Trade was at the best of times a slow and frustrating process, exacerbated by the disintegration of markets in the region as well as a deepening debt crisis in most of the countries. The foreign trade reforms, which many thought would stimulate trade, have all too often led to confusion and disappointment as Eastern companies, ill-prepared to deal with Western financing techniques, marketing arrange-ments and the realities of international trading, have found it difficult to cope.

Payment problems have surfaced in several countries, not east the Soviet Union, where the foreign trade reforms have led to confusion among both the Western and Soviet business community. Many Soviet companies made commitments to buy goods from the West, but ran short of cash or failed to understand the rules and regulations of the For-eign Trade Bank in Moscow. As a result, the bank tried to instil a of financial discipline by withholding some payments. That led to growing insecurity and confusion about the Soviet

financial situation. The uncertainty on the Soviet market has spilled over into Eastern Europe, where financing has also become difficult for regional average credit rating for stern Europe over the past few months shows a steady decline with almost every country's rating falling by a few points. Almost all the countries have seen a deterioration in

EAST EUROPEAN RATINGS				
Country	Global rank	Credit rating	Six-month change	One-year change
Soviet Union	25	62.1	-2.2	-28
ast Germany	31	57.1	-1.2	-1.7
zochoslovakia	36	53.1	-1.0	-0.7
ungary	42	43.6	-0.9	-0.9
ilgaria	43	43.1	-2.5	-3.4
omania	52	33.3	0.7	0.6
ugoslavia	66	27.1	1.3	0.3
oland	77	19.0	0.2	0.9
egional average ra	ting	42.4	-0.7	-0.9
lobal average rath		39.0	0.0	0.3

Note: The country-by-country credit ratings are based on information provided by international banks which grade each country every six months on a scale from zero, representing the load creditwormy countries, to 100, for brose with least chance of default. East Europe regretered the largest change in the regional everage ratings in the six months to March 1970 – a decline of 0.7 points. Bulgars felt the most by 2.5 points, while the Soviet Union European 2.2 points Economic and political suncertainties caused declines in Casebstovakia (-1.0), Hungary 1-0.91 and East Germany (-1.2) Source: East-West News, Vienna

centrated in the small and medi-

um-sized business sector - a departure from previous trends.

While joint ventures are pop-ular, they are usually the result

of many years of close co-opera-

tion between companies. Those

just entering the region will find

it easier to set up deals if they

include a financing element in the package and offer a bit more

than a straight cash sale.

Almost every East European

enterprise is looking to develop export markets, but lacks exper-

tise in marketing, advertising, targetting of potential sales opportunities and (in many

cases) the technology to produce competitive products. Western

businessmen who can help set

up buy-back deals and co-produc

tions are welcomed. Licensing is also expected to become more

prominent, with the Western partner helping to market the

some products as part-payment.

One way of financing the transfer of technology is being

used by AWT-Bul, a new Austri-an-Bulgarian joint venture in

Bulgaria. It helps identify Bulgarian enterprises which,

with a little new equipment and technology, could produce a sale-able item in Western markets. It then finds a suitable Western

operation through buy-back of

With the debt moratorium

AWT-Bul had to find a way of financing the first leasing payment since no hard currency was available. To do this, it

found products which could be

sold in the West and put the money into special holding

Once enough money has been

their credit ratings and a rise in

forfaiting rates.
The situation in the region is expected to get worse. The debt moratorium declared by Bul-garia at the end of March has seriously affected trade with the country as most western companies are unclear about existing credit lines and the possibility of using new ones. Some govern-ments - most notably France,

Getting rid of barter will open up new opportunities

which has come up with a FFribn credit line - are trying to tide the country over until the new Government can negotiate a rescheduling agreement with commercial bank creditors. But the damage has been done and it will take some time for the country to regain the enthusia Western businessmen for doing deals there.

In a nutshell, Western traders who want to sell to the region or establish a long-term relation with companies there need to find a way of financing the deals Countertrade is actively discouraged in many countries or restricted by governments keen to force unreformed industries to

market must be innovative and flexible. The problems are large, but not insurmountable. Joint ventures remain one of the most popular ways of conducting busi-ness with the East. In the first quarter of the year there was a marked increase in the number of ventures set up. In Hungary, for example, these ventures con-

equipment needed to start production of an expanded range of goods is shipped to Bulgaria. After paying off the leasing arrangement, AWT-Bul hopes the Bulgarian and Western partners will come to a more long-term arrangement, perhaps expanding into a co-production or joint venture activity.

The demise of Comecon - the East European trading club may also open up new ways of helping to finance joint projects and trade with East Europe trade in the region will be on a hard currency basis. Many West ern companies are assess potential this may bring to East-West trade. Getting rid of the barter system now used between members of Comecon will open up new opportunities for hard currency purchases as well as sales, but so far little detail on the operation under the new conditions has been made public -

The promise of direct invest ment in the region - together with the new possibilities opened by privatisation of existing state industries - could offer busi-nessmen another path into the markets. As most countries in the region strive towards the goal of a convertible currency. wise businessmen are looking for ways of establishing business relations in the short term, bank-ing on the long-term profitability

of such operations.

While consumer and industrial demand is expected to remain high throughout the region for the next five years, Western investors and businessmen will need to look carefully at market opportunities, choose potential partners with care and have a wary eye out for creditworthiness in the new - and old, but reforming - enterprises. Western banks, still waiting to see what economic reform pro-grammes will be adopted by the mostly new governments, are likely to play a key role in help-ing to finance the new wave of

restment and trade. With the setting up of invest-ment funds and other sources of new finance, Western companies may be spoiled for choice in options open to them on financing new deals. Nevertheless, they will still have to be cau-tious, waiting for the political and economic dust to settle over

THE MAIN focus of attention among those who are involved in countertrade is the future of this means of facilitating and funding East-West trade.

That reflects not only the

changing circumstances in the Eastern Bloc, but also the limited application of countertrade in North-South trade - contrary to the forecasts made by some in the first half of the 1980s that indebted developing countries devoid of hard currency would increasingly utilise countertrade as a means of gearing exports to import payments. It did not happen, largely because developing countries generally decided that anything they could sell on an untied basis for hard cash should not be bartered away in straitjacketed deals for goods - a policy which proponents of multilateral trade, such as the IMF and Western governments applauded, even if barter brokers

did not. Since the Second World War countertrade has been an everready means of conducting busi-ness between East and West. It takes various forms, including barter (goods-for-goods swaps) but, more commonly, counter-purchase, where parallel buy and sell transactions generate trade essentially by Western hard currency-based purchases facilitating East European

This form of trade has, over

# COUNTERTRADE

# Future in doubt

the years, generated significant bread-and-butter business for traders, especially those few who have been willing to run an open position to make a deal perform, and bankers, who have provided bridging finance to contract advice and escrow account facilities. And, more importantly, it has been the means by which exporters have been able to make sales when, otherwise, straight cash-based transactions would be impossible.

However, both the short and

medium-term outlook for East-West countertrade as a means of doing business is now highly uncertain. In the short term this is of significance to exporters and others who have made money utilising the technique. In the longer term, the demise of countertrade will be of little significance for exporters if its disgence of some form of Eastern European currency convertibil-ity: indeed this would obviously be a much more efficient way of doing business for exporters on both sides of the rusted Curtain. Mr Daniel Nash, who earlier

this year was appointed head, special projects at bankers Singer & Friedlander, is more positive than some about countertrade's future role. Surveying the region's economic outlook. he says: "Eastern Europe will have to resort to a host of innovative alternatives - countertrade is one of them." Mean-while, a London-based trader, while admitting a number of deals are continuing to perform involving such commodities as crude oil, coal and coke, has a stark message for any companies reliant on East-West countertrade. In the current climate, "it

always there in the old days of central control, but now increasingly conspicuous by its absence as the Eastern European economies re-organise, driving towards privatisation and the removal of state trading.

will kill you and bankrupt you." The key problem centres on the absence of sovereign backing

While this state of re-organi sational chaos persists, one story currently doing the rounds is probably apocryphal. A company cut a deal to import a certain

chemical from an East Button foreign trade organisation (FTO) However, the FTO could not deliver because its supplier enjoying its new freedom to trade directly itself, had done just that with the chemical in question. In the old days of tight state control, that would not have happened.

But aside from the organisa tional pitfalls, there is the ques-tion of assessing the commercial risks attached to trading on a countertrade or any other basis with newly privatised entities or organisations which, though still in the state sector, are allowed to

In this climate Mr Nash main tains business can be done by the "proper management of transactions." He argues that "risks can be minimised." Others are not so sure.

Alan Spence

The writer is Editor of Internotional Trade Finance, a fortnightly report published by Financial Times Business Info.

### FORFAITING

# Recovery may be on way

THE PROVISION non-recourse, fixed interest rate finance - forfaiting's hallmark in age - in scarcely an occupation for the faint-hearted in today's risk-laden interest rate and general trading climate. Looked at from the exporter's point of view, howrequired markets at costs which are not prohibitive, be among the most attractive choices available on the current trade and project

finance option menu.

The problems faced by the forfaiters themselves were under-lined earlier this year by the London Forfaiting Company's amounced loss of 28.8m in 1989, compared with a profit of £20m in 1988. This centrally reflected high Deutschemark interest rates and uncertain trading conditions in the wake of the collapse of com-

munism in Eastern Europe. The situation for LFC, however, is not as unfavourable as the loss might suggest. To begin with, it comprised a first half 1989

of deficit of £6.5m, which fell during rate the second half to £2.3m. Moreto date in 1990, it is thought that the company is trading prof

> Hedging interest rate exposure is one policy which has aided the turnaround, but the return to profitability is largely thought to reflect LFC's decision increas-ingly to turn over its book in the secondary market, while at the same time reducing the overall size of its forfaiting assets. During 1989 these declined to £191m from

> around 220m from 255m.
> According to Mr Stathis
> Papoutes, its director, LFC "does
> not want a huge portfolio." Substantial portions of primary deals are being sold on to the second-ary market within two to three weeks of consummation. Not only does this generate trading income, but it also leaves spare capacity on LPC's book to bring

At Hungarian International

Aval and LFC, forms forfaiting's "Big Times", traditional forfaiting is being combined with fixed interest "with recourse" pre-ship-ment finance designed to help deflect the impact of funding the manufacturing process. In harness with the post-shipment fixed rate à forfuit funding, the package involves pre-shipment finance against a letter of credit with the forwarded funds

deducted from post-shipment pay ments, However, HIB is also will ing to operate its pre-shipment funding, which can involve tak-ing a charge on the benefit of the exporter's contract to guard against non-delivery default, on a stand-alone basis.
Although the Soviet Union and

Rast European countries seem unlikely to generate substantial, acceptable business in the short to medium term, forfaiters are quoting and cutting deals in a wide variety of countries. Mid-land Bank Aval, for instance, recently completed a \$110m, four-year Airbus financing for Thal-land and a \$27m three-year fund-ing for Kenya for a roll-on-roll-of

vessei.
Although traditionally associated with major project business forfaiting is also these days used to fund short-term trade deals. One forfaiting house, for example recently funded US oil shipments to Poland for periods up to six months.

Undoubtedly, times have been easier for forfaiters, but there is genuine confidence that their fortunes are set to make a significant recovery. LFC's Mr Papoutes attributes this to a cluster of factors: higher margins due to diffi-cult trading conditions, less conpetition among forfatters (some operators linked, for example, to bank operations have pulled out or run down operations), a considerable and varied source of forfait business and a greater level of imperfection in the market stemming from different risk per-

And the existence of a healthy forfait sector can only be good news for exporters seeking up to

100 per cent, non-recourse finance

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